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CYNGOR SIR
YNYS MÔN
ISLE OF ANGLESEY
COUNTY COUNCIL

Mr Richard Parry Jones, MA.
Prif Weithredwr – Chief Executive
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ISLE OF ANGLESEY COUNTY COUNCIL
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ERHYBUDD O GYFARFOD	NOTICE OF MEETING
PWYLLGOR ARCHWILIO	AUDIT COMMITTEE
DYDD MERCHER, 10 RHAGFYR, 2014 am 2 o'r gloch y prynhawn	WEDNESDAY, 10 DECEMBER 2014 at 2.00 pm
YSTAFELL BWYLLGOR 1, SWYDDFEYDD Y CYNGOR, LLANGFNI	COMMITTEE ROOM 1 - COUNCIL OFFICES, LLANGFNI
Swyddog Pwyllgor	Ann Holmes 01248 752518 Committee Officer

AELODAU / MEMBERS

Cynghorwyr / Councillors:-

Annibynnol / Independent

Jim Evans, Dafydd Rhys Thomas and Richard Owain Jones

Plaid Cymru / The Party of Wales

Trefor Ll Hughes (Cadeirydd/Chair), John Griffith (Is-Gadeirydd/Vice-Chair) and Alun W Mummery

Grwp Chwyldroad/Revolutionist Group

Jeff Evans

Heb Ymaelodi / Unaffiliated

R Llewelyn Jones

AELODAU LLEYG / LAY MEMBERS

Mrs Sharon Warnes and Mr Richard Barker

A G E N D A

1 DECLARATION OF INTEREST

To receive any declaration of interest by any Member or Officer in respect of any item of business.

2 MINUTES 7TH NOVEMBER, 2014 MEETING (Pages 1 - 4)

To present the minutes of the extraordinary meeting of the Audit Committee held on 7th November, 2014.

3 MÔN COMMUNITIES FIRST (Pages 5 - 36)

To present the accounts of Môn Communities First for 2013/14.

4 RISK MANAGEMENT (Pages 37 - 50)

To present the report of the Risk and Insurance Manager.

5 EXTERNAL AUDIT - ANNUAL AUDIT LETTER FOR 2013/14 (Pages 51 - 54)

To present the Annual Audit Letter for 2013/14.

6 INTERNAL AUDIT (Pages 55 - 66)

To present the Internal Audit progress report to November, 2014.

7 ANNUAL REPORT ON THE PREVENTION OF FRAUD AND CORRUPTION 2013/14 (Pages 67 - 72)

To present the Annual Report on the Prevention of Fraud and Corruption for 2013/14.

8 REVISION OF COUNTER FRAUD ARRANGEMENTS (Pages 73 - 74)

To present the report of the Internal Audit Manager.

9 AUDIT COMMITTEE SEMINAR (Pages 75 - 80)

To present the report of the Interim Head of Resources and Section 151 Officer.

AUDIT COMMITTEE

Minutes of the extraordinary meeting held on 7 November, 2014

- PRESENT:** Councillor Trefor Lloyd Hughes (Chair)
Councillor John Griffith (Vice-Chair)
- Councillors Jeff Evans, Jim Evans, R. Llewelyn Jones, Alun Mummery.
- IN ATTENDANCE:** Internal Audit Manager (JF)
Capital & Treasury Management Accountant (GR)
Grants Co-ordinator (JW)
Committee Officer (ATH)
- APOLOGIES:** Councillors Richard Owain Jones, Dafydd Rhys Thomas, Mr Richard Barker,
Mrs Sharon Warnes (Lay Members)
- ALSO PRESENT:** Mr Joe Hargreaves, Engagement Manager (PwC)
-

The Chair welcomed all those present to the meeting and extended a particular welcome to Councillor Alun Mummery as a new member of the Audit Committee.

1 DECLARATION OF INTEREST

No declaration of interest was made.

2 MINUTES 23 SEPTEMBER, 2014 MEETING

The minutes of the previous meeting of the Audit Committee held on 23 September, 2014 were presented and confirmed as correct.

3 GWYNEDD PENSION FUND ANNUAL REPORT 2013/14

The Annual Report of the Gwynedd Pension Fund for 2013/14 was presented for the Committee's consideration and information.

The Internal Audit Manager advised that in the absence of the Interim Head of Resources and Section 151 Officer, the Committee could either forward any questions it may have on the contents of the Annual Report to the Officer or request a Pension Fund Official to attend the Committee's next meeting in December to report on any issues arising from the Annual Report.

The majority of the Committee's Members present indicated that their preference was for an invitation to be issued to an Official/Administrator from the Gwynedd Pension Fund to attend the Committee's next meeting to provide Members with an overview of the key points particularly as there were some concerns regarding the Fund's performance when previously reported on to the Audit Committee in September, 2013 by the Officer responsible for strategic investment of the Pension Funds.

It was resolved to defer consideration of the Gwynedd Pension Fund Annual Report 2013/14 to the Committee's December meeting.

ACTION ARISING: Internal Audit Manager to issue an invitation to an Official from the Gwynedd Pension Fund to attend the Audit Committee's next meeting in December.

4 CERTIFICATION OF GRANTS AND RETURNS 2012/13

The report of the Interim Head of Function (Resources) and Section 151 Officer in response to issues raised by the External Auditors as part of their work in relation to the certification of grant claims and returns for 2012/13 was presented for the Committee's consideration.

The Internal Audit Manager said that the report sets out the response in terms of actions taken and/or planned in relation to the findings of the External Auditors following their audit of the Authority's grant claims for 2012/13 (of which 61 % were qualified), including greater detail on matters that were of concern, how they occurred, the financial implications and where within the Authority they occurred. The recommendations issued by the External Auditors have been accepted and an Action Plan formulated to improve arrangements and practices around the organisation and production of grant claims.

The following matters were raised in the subsequent discussion –

- With regard to grant Claim No 7 in Appendix 1 (School Effectiveness Grant/Pupil Deprivation Grant 2012/13), the Grants Co-ordinator confirmed that processes have been introduced within the Finance Service to ensure tighter control over the monitoring of schools' expenditure so that significant qualification points raised previously should not reoccur.
- Communities First items of funding. The Grants Co-ordinator said that the 2012/13 programme under which the grants were certified ended at the end of March, 2013 meaning that the various community partnerships in effect at that time have been disbanded. The Communities First grant is now channelled via a single delivery organisation under the name Môn Communities First the performance of which is scrutinised by the Partnerships and Regeneration Scrutiny Committee. The organisation is required to make its annual accounts available to the Audit Committee.
- Housing Benefit and Council Tax Subsidy 2011/12 and 2012/13 (No.25) regarding which certain accuracy issues remained ongoing. Mr Joe Hargreaves, PwC said that this grant is recognised as one of the most complex and technical of the grants and that it is not uncommon for issues to be identified with regard to its administration. He said that he was not aware of any significant issues arising to date with the certification work in relation to the grant. At the end of the process any findings will be reported to the Audit Committee through the annual grants audit report and certification letters will be issued when the individual claim itself is certified.
- SEG 2011/12 (No 22). Clarification was sought regarding items totalling £121,658k the eligibility of which it was difficult to determine because of a lack of information about the nature of the expenditure. The Grants Co-ordinator said that the aforementioned sum was retained by the Authority and that there were no financial implications. The grant was allocated to address matters around literacy, numeracy and poverty but issues arose when it was not possible to apportion expenditure to each of the individual headings because much of it was combined. The service was delivered under the themes even though the exact expenditure under each theme could not be evidenced in line with certification instructions.
- Strategic Infrastructure Sites and Premises 2011/12 (No 24). The Grants Co-ordinator confirmed that the work for which an advance payment of £74,379 was made has been completed. Negotiations took longer than expected and an upfront payment was required which is normal in the circumstances.

It was resolved to accept the report and to note its contents.

ACTIONS ARISING:

- **Grants Co-ordinator to liaise with Môn Communities First to obtain a copy of its 2013/14 annual accounts for presentation to the Audit Committee.**
- **Grants Co-ordinator/External Auditor to provide an update on progress with regard to resolving any ongoing issues in relation to the certification of the Housing Benefit and Council Tax Subsidy claims 2011/12 and 2012/13.**

5 TREASURY MANAGEMENT MID-YEAR REVIEW

The report of the Interim Head of Service (Resources) and Section 151 Officer regarding the mid-year Treasury Management position was presented for the Committee's consideration.

The Capital and Treasury Management Accountant said that the report sets out the situation at mid-year, leading on to the projected year end position and any issues arising with regard to the prudential and treasury indicators. He confirmed that there has been no significant activity to bring to the Committee's attention at this point. The report will be presented to the Executive and the

Council thereafter. He highlighted an amendment to the first bullet point under paragraph 9.1 of the report which should read “to use the available general supported borrowing allocation of £2.189m.”

The Officer referred to the key points as being in relation to the economic update including advice from the Treasury advisors that interest rates are likely to rise over the course of the next six quarters and in relation to the Prudential Indicator for capital expenditure - the estimates for capital expenditure having been revised downwards for the reasons set out in paragraph 4.4.1 of the report. In relation to the external debt situation, that is with the PWLB on a fixed rate and is expected to be £89.583m at year end.

Questions were asked about the possibility, and any advantages to be derived from debt rescheduling and information was sought regarding the average interest rates which Welsh authorities are paying. The Officer confirmed that the situation is kept under review but that rescheduling is not a feasible option at this point in time.

It was resolved to accept the report with the amendment to paragraph 9.1 and to forward it to the Executive without further comment.

ACTION ARISING: Capital and Treasury Management Accountant to provide the Committee with information regarding average interest rates across Welsh authorities.

6 RECOMMENDATION TRACKING

The report of the Internal Audit Manager in respect of recommendation tracking was presented for the Committee’s consideration. The report set out the current implementation rates for internal audit recommendations in relation to all recommendations made and in relation to High and Medium status recommendations and referred to recent development which will facilitate the recommendation tracking process.

It was resolved to accept the report and to note its contents.

NO FURTHER ACTION ARISING

7 COUNTER FRAUD ARRANGEMENTS

The Internal Audit Manager reported verbally that the in house Benefit Fraud Investigation Team has as from 1 November, 2014 transferred to the single Fraud Investigation Service within the DWP. Following discussions, the Interim Section 151 Officer, Revenues and Benefits Manager and Internal Audit Manager deemed it important that the Authority retain some of the expertise of the investigative team and the post of Counter Fraud Officer has been established within the Internal Audit Department and an appointment made. The post will be partly funded over the next three years by resources put back into local authorities by the DWP to cover residual elements of fraud related work. The Internal Audit Manager confirmed that the appointment was made in accordance with procedures for circumstances where posts are at risk of redeployment or redundancy.

The Officer referred to the main responsibilities of the new post which include taking the lead on promoting a culture of fraud awareness within the Authority along with preventative measures. He said that he would report more fully on the role to the Committee’s December meeting as part of the process of reporting annually on the Authority’s counter fraud arrangements.

In the subsequent discussion, the following issues were raised:

- The failure by housing benefit claimants to pass on their benefit money to their landlords and the effect this practice is having. The Chair suggested that the matter be raised with the Head of Service and Portfolio Member for Finance in the first instance.
- Lack of clarity around a situation whereby the Authority is making claims against a number of households in the Caergeiliog area for arrears for certain charges related to the RAF Valley base. The Internal Audit Manager said that the issue of environmental and sewerage charges in relation to properties that have transferred from the MoD has emerged as part of the work in relation to the debtors’ review. As it was too large a matter to be incorporated within the sundry debtors review, Internal Audit is conducting a piece of work on this area and will endeavour to report back on it to the Committee’s December meeting.

It was resolved to note the information.

ACTION ARISING: Internal Audit Manager to report back on the progress of the review of the historical situation and issues arising regarding the payment of charges relating to former MoD properties.

**Councillor Trefor Lloyd Hughes
Chair**

DRAFT

COMMITTEE:	Audit Committee
DATE:	10 December 2014
REPORT TITLE:	Cymunedau yn Gyntaf Môn Communities First Progress Report and Accounts 13-14
AUTHOR:	Jenny Whiston, Grants Manager
PORTFOLIO HOLDER:	Councillor Kenneth P Hughes
HEAD OF SERVICE:	Shan Lloyd Williams – Head of Housing Service
PURPOSE OF THE REPORT:	To present the Communities First Accounts for 2013/14 and inform Members of progress

Background

Communities First [CF] was introduced in Wales in 2001 by the Welsh Assembly Government [WAG] as their flagship programme to improve the living conditions and prospects of people living in the most disadvantaged communities across Wales. It is now one of the main Tackling Poverty Programmes of the Welsh Government.

The Authority is the Lead Delivery Body for £1.658M worth of funding for the period 1.2.2013 to 31.3.2015, whilst Môn Communities First Ltd, a company limited by guarantee and a registered charity, is the Delivery Organisation. As the Lead Delivery Body [LDB], the Authority 'has the overall responsibility for ensuring good governance and accountability throughout the operations of the Cluster. A Legal Agreement is in place between the Authority and Môn Communities First Ltd for the delivery of the Programme. The Agreement requires Mon Communities First Ltd to present their Annual Accounts (Appendix 1) to the Audit Committee. A breakdown of the Communities First grant funding for 13/14 and budget for 14/15 can also be seen in Appendix 2.

Communities First has a geographical focus, concentrating on the 10% most deprived communities on the island. The area covered consists of seven Lower super output areas [LSOA's] of Morawelon, Porthyfelin 1, Holyhead Town, Maeshyfryd, London Road and Kingsland in Holyhead as well as Tudur in Llangefni. Four of these LSOA's rank in the 10% most deprived wards in one or more of the Communities First priority Welsh Index of Multiple Deprivation [WIMD] domains and all LSOA's rank within the most deprived 20% overall.

The company's aims and objectives are set out in the Memorandum and Articles as:

'To support the most disadvantaged people in the most deprived areas of the Isle of Anglesey with the aim of contributing to alleviating persistent poverty, focussed on community supported actions, working alongside other programmes to narrow the education, skills, economic and health gaps between the most deprived and more affluent areas.'

Communities First Progress

Communities First has developed rapidly over the last 18 months and there have been increases in both the number of staff that the organisation currently employs and the amount of funding that has been secured. Currently 30 staff are employed and the company's turnover for 13/14 was just over £1M. An Organisation Chart is shown in Appendix 3.

Môn Communities First Ltd is managed by a voluntary Board of Directors and the Board also includes observer representation from the Portfolio Holder for Housing and Social Services and Officers.

As a company limited by guarantee and a charity, the organisation has the ability to secure additional external funding to support the delivery of Communities First services in the area which the Authority as a public body may not have been eligible to apply for. They have been very successful in securing additional funding from a number of sources as detailed in the Accounts to support CF delivery during 2013/14. Williams Denton were appointed as the company's auditors and have audited the financial statements of Mon Communities First and concluded that in their opinion the financial statements:

'Give a true and fair view of the state of the charitable company's affairs as at 31 March 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended.'

'Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.'

'Have been prepared in accordance with the requirements of the Companies Act 2006.'

Williams Denton found no issues to report on.

Recommendations

Members are requested to:

Note the contents of the Report and Accounts.

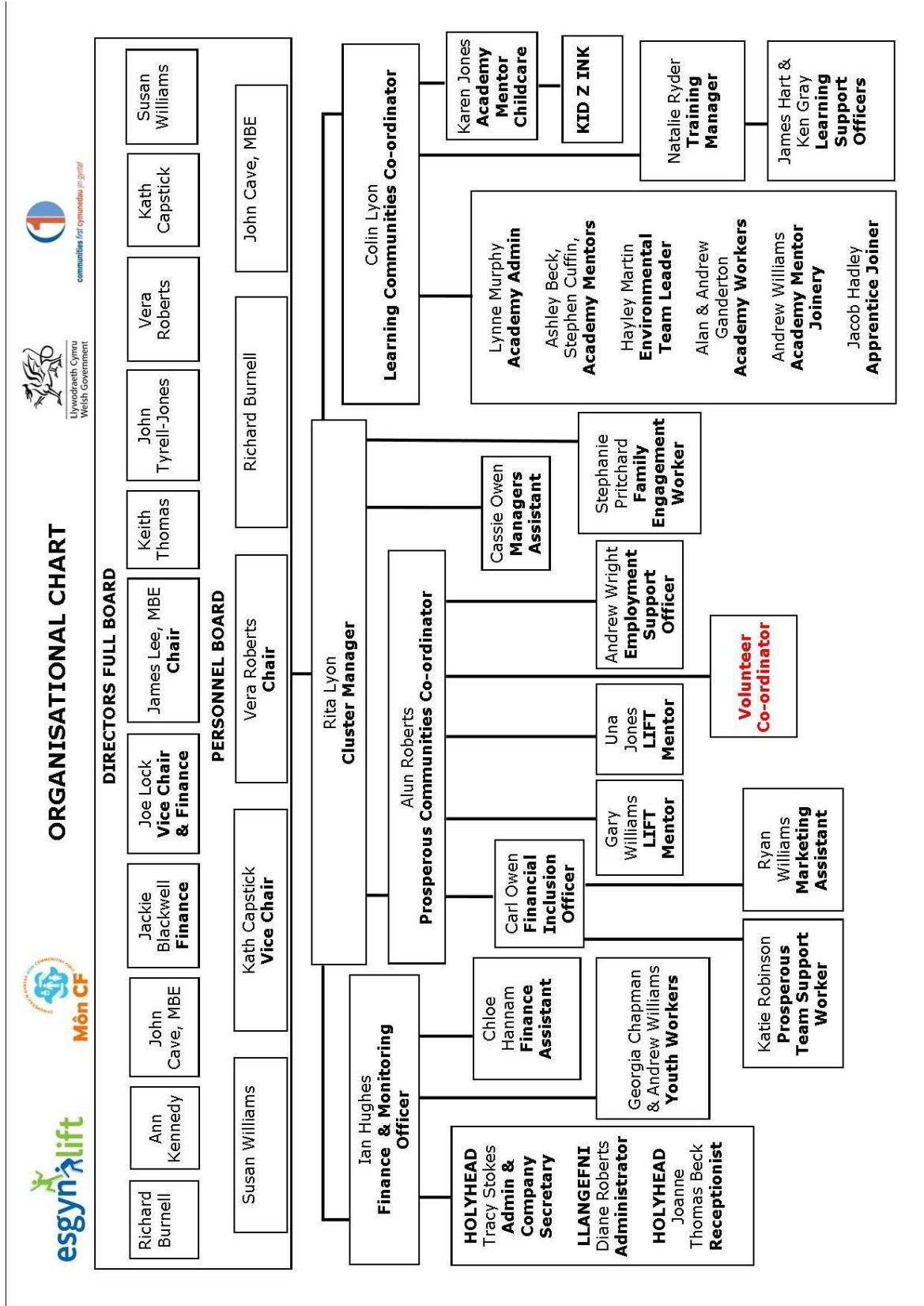
Report Author: Jenny Whiston, Grants Manager

Report date: 26.11.2014

Communities First Funding

	13/14 Actual Expenditure £	14/15 Budget £
Salaries	439,657	555,874
Management Charges	19,057	23,643
Travel & Subsistence	6,257	16,684
Training	2,817	5,100
Premises Costs	94,004	65,327
Community Involvement Plan	23,346	25,000
Project Costs	59,485	105,530
LDB Costs	18,535	23,736
Total	663,158	820,894
Claimed	663,158	

ORGANISATION CHART



REGISTERED COMPANY NUMBER: 08085673 (England and Wales)
REGISTERED CHARITY NUMBER: 1148502

**REPORT OF THE TRUSTEES AND
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2014
FOR**

**CYMUNEDAU'N GYNTAF MON
COMMUNITIES FIRST**

**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

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CYMUNEDAU'N GYNTAF MON COMMUNITIES FIRST

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 MARCH 2014

The trustees who are also directors of the charity for the purposes of the Companies Act 2006, present their report with the financial statements of the charity for the year ended 31 March 2014. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' issued in March 2005.

REFERENCE AND ADMINISTRATIVE DETAILS

Registered Company number

08085673 (England and Wales)

Registered Charity number

1148502

Registered office

63 Market Street
Holyhead
Ynys Mon
LL65 1UN

Trustees

J N Lee	
Mrs V M Roberts	
Mrs A Kennedy	
Mrs J A Blackwell	
Mrs K Capstick	
K Thomas	
Mrs S F Williams	
J N Lock	
J R Jones	- appointed 10.4.13
	- resigned 26.11.13
J Tyrell-Jones	- appointed 26.11.13
J G H Cave	- appointed 26.11.13
R Burnell	- appointed 26.11.13

Company Secretary

Mrs T J Stokes

Auditors

Williams Denton Cyf
Chartered Certified Accountants
Statutory Auditors
Glaslyn
Ffordd Y Parc
Parc Menai
Bangor
Gwynedd
LL57 4FE

Solicitors

T R Evans Hughes & Co
6 Victoria Chambers
Holyhead
LL65 1UR

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2014**

REFERENCE AND ADMINISTRATIVE DETAILS

Bankers

HSBC
William Street
Holyhead
LL65 1RL

Senior Management Team

Rita Lyon	Cluster Manager
Alun Roberts	Prosperous Communities Co-ordinator
Colin Lyon	Learning Communities Co-ordinator
Ian Hughes	Finance and Monitoring Officer

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

The organisation is a charitable company limited by guarantee and governed by its Memorandum of Association dated 28 May 2012. It was registered with the Charity Commission on 09 August 2012. In the event of the company being wound up members are required to contribute an amount not exceeding £10.

Recruitment and appointment of new trustees

The Cymunedau'n Gyntaf Mon Communities First is made up from the community/statutory and business/voluntary sector representatives.

The process of appointing trustees/directors has been set out in the Memorandum and Articles and is as follows:

The charity may by ordinary resolution appoint a person who is willing to act to be trustee/director and determine the rotation in which any additional trustees/directors are to retire. No person other than a trustee/director retiring by rotation may be appointed a trustee/director at any general meeting unless he or she is recommended for re-election by the trustees/directors, or not less than fourteen nor more than thirty-five clear days before the date of the meeting, the charity is given a notice that is signed by a member entitled to vote at the meeting, states the member's intention to propose the appointment of a person as a trustee/director, contains the details that, if the person were to be appointed, the charity would have to file at Companies House, and is signed by the person who is to be proposed to show his or her willingness to be appointed. The trustees/directors may appoint a person who is willing to act to be a trustee/director. A trustee/director appointed by a resolution of the other trustees/directors must retire at the next annual general meeting and must not be taken into account in determining the trustees/directors which are to retire by rotation.

All members who are entitled to receive notice must receive a minimum of twenty-one clear days notice of an annual general meeting or a general meeting called for the passing of a special resolution. Fourteen clear days must be given for all other general meetings.

A trustee/director must be a natural person aged 16 years or older. No one may be appointed a trustee/director if he or she would be disqualified from acting under the provisions of article 39. The number of trustees/directors shall be a minimum of 10 but (unless otherwise determined by ordinary resolution) shall not be subject to any maximum. The first trustees/directors shall be those persons notified to Companies House as the first trustees/directors of the charity. A trustee/director may not appoint an alternate trustee/director or anyone to act on his or her behalf at meetings of the trustees/directors.

CYMUNEDAU'N GYNTAF MON COMMUNITIES FIRST

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 MARCH 2014

STRUCTURE, GOVERNANCE AND MANAGEMENT

Induction and training of new trustees

Existing trustees are already familiar with the practical work of the charity having been members of the charity and attended most meetings. All new trustees are offered relevant and specific training.

Additionally, new trustees are invited and encouraged to attend training sessions to familiarise themselves with the charity and the context within which it operates.

Trustees should look to develop arrangements which enable people from all sections of the community to be actively involved in the selection and regular renewal of their membership.

Trustees should also help to prepare, with the assistance if need be of external support organisations (eg the local authority, the county voluntary council, the Communities First Support Network), a constitution and rules of conduct for consideration and approval by the charity. Trustees should provide support to local community organisations/groups to enable them to join the charity and contribute to its work.

Achievement and performance of trustees

Mr James Neil Lee received an M.B.E from his Royal Highness the Prince of Wales for outstanding services to the community.

The directors attended a Governance and Financial Management Advice training course held by Shirley David of Best UK, where she also produced a report highlighting areas of weakness within the organisation's governance and her recommendations.

Organisational structure

The Cymunedau'n Gyntaf Mon Communities First has a Board of Directors /Trustees of at least 10 members who meet a minimum of four times a year and are responsible for the strategic direction and policy of the charitable company. The Cluster manager also sits on the Board but has no voting rights.

The Senior Management team are responsible for the day-to-day operational management including individual supervision of the staff team and also for ensuring that the team continue to develop their skills and working practices in line with good practice. The Senior Management team is responsible for ensuring the delivery of the services specified and that key performance indicators are met. The Senior Management team are line managed by the Chair of the personnel group.

Related parties

Due to the nature of the charity's operations and the composition of the board of trustees it is inevitable that transactions will take place with organisations in which a member may have an interest. All transactions involving organisations in which a trustee may have an interest are conducted at arm's length. The Charity has a policy that all trustees must declare an interest if a related party transaction occurs.

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2014**

STRUCTURE, GOVERNANCE AND MANAGEMENT

Risk management

A scheme of delegation is in place and day to day responsibility for the provision of the services rest with the Cluster manager and management team. The Cluster manager is responsible for ensuring that the charity delivers the services specified and that key performance indicators are met. The Cluster manager has responsibility for the day to day operational management of the Charity, individual supervision of the staff team and also ensuring that the team continue to develop their skills and working practices in line with good practice.

The Senior Management team has conducted a review of the company's policies. Where appropriate, systems and procedures have been established to manage the company's finances. Significant external risks to funding will lead to the development of a strategic plan which will allow for the diversification of funding and activities. Internal control risks are minimised by the implementation of procedures for authorising of all transactions and projects.

The trustees have a duty to identify and review the risks to which the charity is exposed and to ensure appropriate controls are in place to provide reasonable assurance against fraud and error.

The trustees reviewed the Governance and Financial Management report produced by Shirley David of Best UK on the 5th February. Included in the discussions was a report produced by the Cluster Manager on the recommendations from Shirley David. Points of discussion included the potential risk list the management has produced, their potential impact and the steps to mitigate the identified risk. The declaration of personal interests policy was amended and is to be reviewed annually.

OBJECTIVES AND ACTIVITIES

Objectives and aims

Mission statement

By Listening and working with our community within the Mon Communities First area, we aim to regenerate the environment for existing and future generations.

The company's aims and objectives are set out in the Memorandum and Articles as follows:

To support the most disadvantaged people in the most deprived areas of the Isle of Anglesey with the aim of contributing to alleviating persistent poverty, focussed on community supported actions, working alongside other programmes to narrow the education, skills, economic and health gaps between the most deprived and more affluent areas.

Significant activities

Working within the Communities First "Vision Framework", a number of key themes and projects have been carried out during the year.

Public benefit

Our main activities and whom we try to help are described below. All our charitable activities focus on helping local people of all ages to become more involved in their local community by taking part in community work projects such as environment, support social events, build community spirit and help improve their own lives and the lives of others in the community.

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2014**

ACHIEVEMENT AND PERFORMANCE

How our activities deliver public benefit

Credit Union

During the year we have established two Credit Union collection points, one in Llangefni and one in Holyhead. A steady growth of junior and adult savings accounts and loan applications were seen over the year. This service has enabled individuals who would not have been able to secure loans through the mainstream high street banks due to various circumstances to have access to affordable finance rather than using pay day loans or doorstep lenders.

Pantri Pobl

Liaising with partner organisations a food bank service was introduced so that even those dire financial circumstances would not go without anything to eat. This service also ensures that everyone who receives a food bag also receives financial aid through budgeting advice and information about what help is available to them. Unfortunately there was a continuous increase in the use of this service during the year, demonstrating the difficulties the people of Anglesey currently find themselves in financially.

Lift

The LIFT project is aimed at assisting people who are classed as living in a 'workless households' into work based training, volunteer work, work placement or into employment. A workless household is where no member of the household has been in employment of 16 hours or more for a period of six months or more. During the year the LIFT team actively worked with 75 clients. Of which 32 took part in work based training, 27 completed work placement or volunteering work whilst 9 moved into full time employment.

Employment Support & Engagement

The project will deliver a local employability service to those individuals of working age (16-64+) who are economically inactive, unemployed or at work entry level. The project will provide a coordinating function to broker links between local vocational guidance, learning & training, employment and other employability support services at grass roots level to plan and make the best use of existing provision to help workless people on the journey into work.

Splash

The Splash Project is a YJB funded project to deliver a programme of diversionary activities, aimed at young people living in communities first cluster areas in Holyhead and Llangefni aged between 10-14. In this last year, the splash project has engaged with 106 young people in Holyhead and Llangefni (79-Holyhead / 27-Llangefni) delivering 67 sessions. During the programme, registered young people take part in free activities such as - sports, arts&crafts, music workshops and trips.

TOM's

The TOM's project is a time banking scheme for young people aged 10-17 living in Holyhead. We currently have 15 members who regularly attend sessions. Most projects have an element of community work - for their efforts on these project's, young people are given a 'point per hour' that can be spent on trips. We have recently been working on a Community Art project (that will be attached to a youth accreditation) and have a reward trip planned in October.

Explorers

The Explorers group is a time banking scheme for young people aged 10-17 living in Llangefni. We currently have 8 members who regularly attend sessions. Most projects have an element of community work - for their efforts on these project's, young people are given a 'point per hour' that can be spent on trips. We have recently been working on a Community Art project (that will be attached to a youth accreditation) and have a reward trip planned in October.

Sam's Night

Sam's Night is a targeted project aimed at young people aged between 14-17. This year we have delivered 2 events to 27 young people. These sessions were targeted towards young people in pupil referral units or that were identified as 'at risk of becoming NEET's' from High Schools in Holyhead and Llangefni. The purpose of the events were to deliver sessions in Alcohol Awareness, Drugs Awareness, Sexual Health, Cyber Bullying and Drink Driving in a more engaging and lasting way. The project was a joint effort between ourselves, Project Lydia, Fire Service and the statutory youth service.

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2014**

ACHIEVEMENT AND PERFORMANCE

How our activities deliver public benefit

Accredited Centre

During the year we have successfully become an accredited training centre for Chartered Institute of Environmental Health (CIEH) that allows us to deliver courses at Level 2 in Manual Handling and Health and Safety in the Workplace. We have also become an accredited training centre for Agored delivering courses in Manual Handling and Exercise as Part of a Healthy Lifestyle. The Vocational Training academy was also approved as a LANTRA Centre delivering courses for ride on mower, pedestrian mower and brush cutter.

Car Driving Courses

We have delivered a number of first step to driving courses from our academy where students were given the tools to help them understand the basics and a reality check of driving and owning a car. The training includes basic skills such as costs of petrol to different locations, breakdown of insurance, tax, tyres, servicing/ maintenance, fines and penalty points. The students received intensive training on the theory side of driving to help them towards passing their theory tests. Wherever possible the students also had three sessions in our driving similar to get used to driving in a full size car.

FINANCIAL REVIEW

Financial review

During the year there was a surplus of £187,938 (£41,978 on unrestricted funds and £145,960 on restricted funds). The unrestricted surplus of £41,978 and was mainly due to the cash donated from Plas Cybi Partnership (£48,780) when it ceased its operations. The restricted surplus was £145,960 and was mainly due to the assets (£105,867) transferred from Plas Cybi Partnership when it ceased its operations.

The unrestricted funds have therefore increased from £3,688 at the beginning of the year to £42,693 at 31/03/14.

The restricted funds have therefore increased from £2,524 at the beginning of the year to £151,457 at 31/03/14 of which £137,098 represent the net book value of the charity's fixed assets.

Reserves Policy

The Trustees have examined the charity's requirements for reserves in light of the main risks to the organisation. It has established a policy whereby the unrestricted funds not committed or invested in fixed assets held by the charity should be between 3 and 6 months of expenditure. The present level of the general fund meets this criteria.

Principal funding sources

The principal funding sources for the company were by way of grants from the Welsh Government.

Continuation of funding

Funding from Welsh Government in terms of the Communities First programme is guaranteed until 31 March 2015. A bid for further funding to 31 March 2016 has been submitted with a decision expected in December 2014. It is expected that the Communities First programme will run until the end of the current Welsh Assembly in 2016 and as Mon Communities First are one of the top performing Communities First partnerships in Wales it is likely its funding will continue until then.

FUTURE DEVELOPMENTS

The charity plans to continue with the activities outlined above in the forthcoming years subject to satisfactory funding arrangements.

CYMUNEDAU'N GYNTAF MON COMMUNITIES FIRST

**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 MARCH 2014**

STATEMENT OF TRUSTEES RESPONSIBILITIES

The trustees (who are also the directors of Cymunedau'n Gyntaf Mon Communities First for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing those financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charity SORP;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDITORS

The auditors, Williams Denton Cyf, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

 MBE
.....
JN Lee - Trustee

Date: 04. 11. 2014

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF CYMUNEDAU'N GYNTAF MON COMMUNITIES FIRST

We have audited the financial statements of Cymunedau'n Gyntaf Mon Communities First for the year ended 31 March 2014 on pages ten to twenty two. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Trustees Responsibilities set out on page seven, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Trustees to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter

We draw attention to note 15 in the financial statements which describes the uncertainty of Welsh Government funding beyond 31 March 2015. Our opinion is not qualified in respect of this matter.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
CYMUNEDAU'N GYNTAF MON COMMUNITIES FIRST**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Trustees.



Colin Bell FCCA (Senior Statutory Auditor)
for and on behalf of Williams Denton Cyf
Chartered Certified Accountants
Statutory Auditors
Glaslyn
Ffordd Y Parc
Parc Menai
Bangor
Gwynedd
LL57 4FE

Date: 13/11/2014

CYMUNEDAU'N GYNTAF MON COMMUNITIES FIRST

STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	Unrestricted funds £	Restricted funds £	Year Ended 31.3.14 Total funds £	Period 28.5.12 to 31.3.13 Total funds £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	2	49,641	1,038,116	1,087,757	222,555
Activities for generating funds	3	<u>22,415</u>	<u>-</u>	<u>22,415</u>	<u>906</u>
Total incoming resources		72,056	1,038,116	1,110,172	223,461
RESOURCES EXPENDED					
Costs of generating funds					
Fundraising trading: cost of goods sold and other costs	4	8,731	-	8,731	130
Charitable activities	5	18,767	882,818	901,585	208,587
Community regeneration		2,580	9,338	11,918	8,532
Governance costs	6	<u>2,580</u>	<u>9,338</u>	<u>11,918</u>	<u>8,532</u>
Total resources expended		<u>30,078</u>	<u>892,156</u>	<u>922,234</u>	<u>217,249</u>
NET INCOMING RESOURCES BEFORE TRANSFERS					
		41,978	145,960	187,938	6,212
Gross transfers between funds	13	<u>(2,973)</u>	<u>2,973</u>	<u>-</u>	<u>-</u>
Net incoming/(outgoing) resources		39,005	148,933	187,938	6,212
RECONCILIATION OF FUNDS					
Total funds brought forward		<u>3,688</u>	<u>2,524</u>	<u>6,212</u>	<u>-</u>
TOTAL FUNDS CARRIED FORWARD		<u><u>42,693</u></u>	<u><u>151,457</u></u>	<u><u>194,150</u></u>	<u><u>6,212</u></u>

The notes form part of these financial statements


CYMUNEDAU'N GYNTAF MON COMMUNITIES FIRST

**BALANCE SHEET
AT 31 MARCH 2014**

	Notes	Unrestricted funds £	Restricted funds £	31.3.14 Total funds £	31.3.13 Total funds £
FIXED ASSETS					
Tangible assets	10	-	137,098	137,098	5,219
CURRENT ASSETS					
Debtors	11	15,666	53,880	69,546	737
Cash at bank		<u>29,609</u>	<u>(22,382)</u>	<u>7,227</u>	<u>17,464</u>
		45,275	31,498	76,773	18,201
CREDITORS					
Amounts falling due within one year	12	(2,582)	(17,139)	(19,721)	(17,208)
NET CURRENT ASSETS					
		<u>42,693</u>	<u>14,359</u>	<u>57,052</u>	<u>993</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		<u>42,693</u>	<u>151,457</u>	<u>194,150</u>	<u>6,212</u>
NET ASSETS					
		<u>42,693</u>	<u>151,457</u>	<u>194,150</u>	<u>6,212</u>
FUNDS					
Unrestricted funds	13			42,693	3,688
Restricted funds				<u>151,457</u>	<u>2,524</u>
TOTAL FUNDS					
				<u>194,150</u>	<u>6,212</u>

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small charitable companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the Board of Trustees on 04/11/2014 and were signed on its behalf by:


.....
Mrs J A Blackwell -Trustee


.....
J N Lee -Trustee

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014**

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008), the Companies Act 2006 and the requirements of the Statement of Recommended Practice, Accounting and Reporting by Charities.

Incoming resources

All incoming resources are included on the Statement of Financial Activities when the charity is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

Grants and contracts, where entitlement is not conditional on the delivery of a specific performance by the charity, are recognised when the charity becomes unconditionally entitled to the grant.

Incoming resources from grants and contracts, where related to performance and specific deliverables, are accounted for as the charity earns the right to consideration by its performance.

Capital grants for the purchase of fixed assets are recognised in full in the Statement of Financial Activities in the year in which they are received.

Voluntary income, donations, fundraising, investment income and interest are recognised in full in the Statement of Financial Activities in the year/period that they are received.

Donated services and facilities are included at the value to the charity where this can be quantified. The value of services provided by volunteers has not been included in these financial statements.

Resources expended

Resources expended are included in the Statement of Financial Activities on an accruals basis, inclusive of any VAT.

Costs of generating funds comprise the costs associated with attracting voluntary income and the costs for fundraising purposes.

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees and costs linked to the strategic management of the charity.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- 2% on cost
Plant and machinery	- 25% on cost
Motor vehicles	- 25% on reducing balance

Individual assets costing less than £1,000 are included in the Statement of Financial Activities in the year that they are incurred. Individual assets greater than £1,000 are included in the balance sheet at cost and are depreciated as above.

Taxation

The charity is exempt from corporation tax on its charitable activities.

1. ACCOUNTING POLICIES - continued

Fund accounting

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the trustees.

Restricted funds can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

Pension costs and other post-retirement benefits

The charitable company operates a defined contribution pension scheme. Contributions payable to the charitable company's pension scheme are charged to the Statement of Financial Activities in the period to which they relate.

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2014**

2. VOLUNTARY INCOME

	Year Ended 31.3.14 £	Period 28.5.12 to 31.3.13 £
Donations	49,157	223
Donated assets	118,887	-
Grants	919,229	219,751
Other income	484	2,581
	<u>1,087,757</u>	<u>222,555</u>

Donations includes £48,780 from Plas Cybi Partnership.

Donated assets includes £105,867 of assets transferred from Plas Cybi Partnership and van from the Anglesey Aluminium Legacy Fund valued at £13,000.

Grants received, included in the above, are as follows:

	Year Ended 31.3.14 £	Period 28.5.12 to 31.3.13 £
WG-Communities First	644,623	170,656
YMCC - CSF	-	9,202
Mon Menai - Academy	38,000	7,000
Mon Menai - ESI	70,000	10,000
WCVA - Jobs Growth Wales	35,246	949
YMCC - redundancies	-	21,944
WG-LEQ	5,052	-
Children in need	5,500	-
YMCC-Financial inclusion officer	14,725	-
YMCC-Tackling Poverty SGF	24,486	-
Menter Mon - Cyfenter	9,289	-
Magnox	50,749	-
Bangor University	1,100	-
WG-Splash	20,459	-
	<u>919,229</u>	<u>219,751</u>

Abbreviations used throughout these financial statements:

WG - Welsh Government
YMCC - Ynys Mon County Council
WCVA - Wales Council for Voluntary Action

CYMUNEDAU'N GYNTAF MON COMMUNITIES FIRST

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2014**

3. ACTIVITIES FOR GENERATING FUNDS

	Year Ended 31.3.14	Period 28.5.12 to 31.3.13
	£	£
Income from services	17,462	906
Rental income	<u>4,953</u>	<u>-</u>
	<u>22,415</u>	<u>906</u>

4. FUNDRAISING TRADING: COST OF GOODS SOLD AND OTHER COSTS

	Year Ended 31.3.14	Period 28.5.12 to 31.3.13
	£	£
Services costs	7,419	130
Rental expenses	<u>1,312</u>	<u>-</u>
	<u>8,731</u>	<u>130</u>

5. CHARITABLE ACTIVITIES COSTS

	Direct costs	Totals
	£	£
Community regeneration	<u>901,585</u>	<u>901,585</u>

6. GOVERNANCE COSTS

	Year Ended 31.3.14	Period 28.5.12 to 31.3.13
	£	£
Trustees' expenses	90	13
Accountancy	2,880	1,800
Legal & professional fees	4,218	4,319
AGM and Board costs	530	-
Auditors' remuneration	<u>4,200</u>	<u>2,400</u>
	<u>11,918</u>	<u>8,532</u>

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 FOR THE YEAR ENDED 31 MARCH 2014

7. NET INCOMING/(OUTGOING) RESOURCES

Net resources are stated after charging/(crediting):

	Year Ended 31.3.14 £	Period 28.5.12 to 31.3.13 £
Auditors' remuneration	4,200	2,400
Depreciation - owned assets	<u>25,892</u>	<u>1,741</u>

8. TRUSTEES' REMUNERATION AND BENEFITS

There were no trustees' remuneration or other benefits for the year ended 31 March 2014 nor for the period ended 31 March 2013.

Trustees' expenses

	Year Ended 31.3.14 £	Period 28.5.12 to 31.3.13 £
Trustees' expenses	<u>90</u>	<u>13</u>

CYMUNEDAU'N GYNTAF MON COMMUNITIES FIRST

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2014

9. STAFF COSTS

	Year Ended 31.3.14 £	Period 28.5.12 to 31.3.13 £
Wages and salaries	439,673	101,105
Social security costs	35,093	9,873
Other pension costs	35,533	6,010
	<u>510,299</u>	<u>116,988</u>

The average monthly number of employees during the year was as follows:

	Year Ended 31.3.14	Period 28.5.12 to 31.3.13
Cluster Manager	1	1
Development	6.8	9.5
Finance	1	2
Mentors	5.6	4
Youth	2	2
Administration	4.6	2.4
	<u>21</u>	<u>20.9</u>

No employee earned more than £60,000 per annum.

The charity operates a defined contribution pension scheme for its employees and the charity made pension contributions for 22 (2013 - 14) staff members .

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2014**

10. TANGIBLE FIXED ASSETS

	Freehold property £	Plant and machinery £	Motor vehicles £	Totals £
COST				
At 1 April 2013	-	6,960	-	6,960
Additions	<u>66,476</u>	<u>72,593</u>	<u>18,702</u>	<u>157,771</u>
At 31 March 2014	<u>66,476</u>	<u>79,553</u>	<u>18,702</u>	<u>164,731</u>
DEPRECIATION				
At 1 April 2013	-	1,741	-	1,741
Charge for year	<u>1,330</u>	<u>19,887</u>	<u>4,675</u>	<u>25,892</u>
At 31 March 2014	<u>1,330</u>	<u>21,628</u>	<u>4,675</u>	<u>27,633</u>
NET BOOK VALUE				
At 31 March 2014	<u>65,146</u>	<u>57,925</u>	<u>14,027</u>	<u>137,098</u>
At 31 March 2013	<u>-</u>	<u>5,219</u>	<u>-</u>	<u>5,219</u>

The Freehold Property was transferred from Plas Cybi Partnership at its original cost value (£72,257) less depreciation to date of transfer (£5,781).

Included in motor vehicles additions is a donated vehicle valued at £13,000.

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.14	31.3.13
	£	£
Debtors	63,204	-
Prepayments	<u>6,342</u>	<u>737</u>
	<u>69,546</u>	<u>737</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.14	31.3.13
	£	£
Creditors	10,141	17,208
Accruals and deferred income	<u>9,580</u>	<u>-</u>
	<u>19,721</u>	<u>17,208</u>

CYMUNEDAU'N GYNTAF MON COMMUNITIES FIRST

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2014

13. MOVEMENT IN FUNDS

	At 1.4.13 £	Net movement in funds £	Transfers between funds £	At 31.3.14 £
Unrestricted funds				
General fund	992	41,978	(277)	42,693
Fixed assets	<u>2,696</u>		<u>(2,696)</u>	
	3,688	41,978	(2,973)	42,693
Restricted funds				
Mon Menai - Academy	-	38	-	38
Mon Menai - ESI	-	155	-	155
YMCC-Financial Inclusion Officer	-	1,164	-	1,164
WG-Splash	-	3,830	-	3,830
Children in need	-	3,995	-	3,995
YMCC-Tackling poverty SGF	-	(277)	277	-
Bangor University	-	487	-	487
Magnox	-	43,575	(38,884)	4,691
Fixed assets (CF)	-	(899)	2,696	1,797
Fixed assets	2,524	(813)	38,884	40,595
Fixed assets (Plas Cybi)	<u>-</u>	<u>94,705</u>	<u>-</u>	<u>94,705</u>
	2,524	145,960	2,973	151,457
TOTAL FUNDS	<u>6,212</u>	<u>187,938</u>	<u>-</u>	<u>194,150</u>

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2014**

13. MOVEMENT IN FUNDS - continued

Net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Movement in funds £
Unrestricted funds			
General fund	72,056	(30,078)	41,978
	<hr/>	<hr/>	<hr/>
	72,056	(30,078)	41,978
Restricted funds			
WG-Communities First	644,622	(644,622)	-
Mon Menai - Academy	38,001	(37,963)	38
Mon Menai - ESI	70,000	(69,845)	155
WCVA-Jobs Growth Wales	35,246	(35,246)	-
YMCC-Financial Inclusion Officer	14,725	(13,561)	1,164
WG-Splash	20,459	(16,629)	3,830
WG-LEQ	5,052	(5,052)	-
Children in need	5,500	(1,505)	3,995
YMCC-Tackling poverty SGF	24,486	(24,763)	(277)
Bangor University	1,100	(613)	487
Menter Mon-Cyfenter	9,289	(9,289)	-
Magnox	50,749	(7,174)	43,575
Fixed assets	13,000	(13,813)	(813)
Fixed assets (Plas Cybi)	105,887	(11,182)	94,705
Fixed assets (CF)	-	(899)	(899)
	<hr/>	<hr/>	<hr/>
	1,038,116	(892,156)	145,960
	<hr/>	<hr/>	<hr/>
TOTAL FUNDS	<u>1,110,172</u>	<u>(922,234)</u>	<u>187,938</u>

CYMUNEDAU'N GYNTAF MON COMMUNITIES FIRST

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2014

13. MOVEMENT IN FUNDS - continued

Purpose of Restricted Funds

WG-Communities First

To run and manage the Communities First and Lift programme in the most deprived wards on Anglesey.

Mon Menai - Academy

Funding to set up and run the Community Vocational Academy

Mon Menai - ESI

Funding to continue the Empty Shop Initiative project.

WCVA-Jobs Growth Wales

Funding for employment via the Jobs Growth Wales scheme.

YMCC-Financial inclusion officer

50% funding contribution towards the Financial Inclusion Officer post.

WG-Splash

Monies to run diversionary activities during school holidays.

WG-LEQ

Monies to run community clean up days.

Children in need

Monies to run the Fun 3.30 club.

YMCC-Tackling poverty small grants fund

To facilitate the tackling poverty small grants fund which is a scheme that allows community groups in Communities First areas to apply for small grants.

Bangor University

To deliver community courses.

Menter Mon-Cyfenter

To set up and develop the Shop in Town card scheme.

Magnox

To set up and run a joinery workshop in the Community Vocational Academy and employ a Joiner Mentor.

Fixed Assets

This fund includes assets purchased from restricted income.

Fixed Assets (Plas Cybi)

This fund includes assets transferred from Plas Cybi Partnership.

Fixed Assets (CF)

This fund includes assets purchased with Communities First income.

14. RELATED PARTY DISCLOSURES

Cash (£48,780) and fixed assets (£105,867) were donated from Plas Cybi Partnership, a related charity, during the year.

**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 31 MARCH 2014**

15. GOING CONCERN

Funding from Welsh Government in terms of the Communities First programme is guaranteed until 31 March 2015. A bid for further funding to 31 March 2016 has been submitted with a decision expected in December 2014. It is expected that the Communities First programme will run until the end of the current Welsh Assembly in 2016 and as Mon Communities First are one of the top performing Communities First Partnerships in Wales it is likely its funding will continue until then. The trustees therefore consider it appropriate to prepare the financial statements on a going concern basis.

Mrs R Lyon
Cymunedau'n Gyntaf Mon Communities First
63 Market Street
Holyhead
Anglesey
LL65 1UN

Our ref: CB/AB/P651

13 November 2014

Dear Rita

Cymunedau'n Gyntaf Mon Communities First
Accounts For The Year Ended 31 March 2014

Please find enclosed signed copies of the accounts. I confirm that I have submitted a copy to Companies House.*

You need to send a copy to the Charity Commission.

Yours sincerely



Colin Bell
Director

Enc

* I WILL SUBMIT AFTER THE AGM.

Directors: HUGH PRYS JONES, KEITH BARKER, COLIN BELL, PETER DENTON, JANET JONES, MARTIN BARRETT

Also at: 13 Trinity Square, Llandudno, North Wales LL30 2RB

Registered as auditors and regulated for a range of investment business activities in the United Kingdom by the Association of Chartered Certified Accountants

Registered Office: Williams Denton Cyf, Glaslyn, Ffordd y Parc, Parc Menai, Bangor, Gwynedd LL57 4FE • Company No. 4512849



ISLE OF ANGLESEY COUNTY COUNCIL	
COMMITTEE:	AUDIT COMMITTEE
DATE:	10 DECEMBER 2014
TITLE OF REPORT:	RISK MANAGEMENT
PURPOSE OF REPORT:	FOR INFORMATION
REPORT BY:	RISK & INSURANCE MANAGER
ACTION:	FOR INFORMATION

1. BACKGROUND

- 1.1** It was recognised that risk management was not fully embedded throughout the Council and as such a consultant was engaged to undertake a review.
- 1.2** Richard Baker of Caerus Consulting undertook the review in September and October 2014.

2. RISK MANAGEMENT REVIEW

- 2.1** The Review involved a desk top review of current policies, procedures and risk registers, and interviews with Heads of Service and other key officers.
- 2.2** The findings of the Review were presented to SLT, Penaethiaid, and the Executive in October and a copy of the report to the Executive is included in Appendix 1 of this report.

3. POST REVIEW PROGRESS

- 3.1** The Council Leader, Chair of Corporate Scrutiny and the Vice-Chair of the Audit Committee have been consulted with in relation to clarifying the role and responsibilities of those committees. The Terms of Reference of these committees are being reviewed to ensure they reflect the discussions held.
- 3.2** New Risk Management Policy and Guidance documents are currently being consulted upon with the aim that they are approved and adopted at the earliest opportunity.
- 3.3** Risk Management training was delivered to SLT, Heads of Services and their direct reports, together with some project managers during November 2014.

3.4 Facilitation is currently being sought to support Services to review and update their Service Risk Registers.

4. ADDITIONAL ACTIONS

4.1 Training is to be arranged for all Members in early 2015.

4.2 Facilitation is to be arranged to support senior managers to review and update the Corporate Risk Register.

5. RECOMMENDATIONS

5.1 The Committee is requested to note the content of this report.

**JULIE JONES
RISK & INSURANCE MANAGER**

24 NOVEMBER 2014



Caerus Consulting

Risk Management & Corporate Governance

Doing business with integrity

Isle of Anglesey County Council Risk Management Review

Exec Cabinet Review – 20th Oct 2014

Purpose & Agenda

Purpose

- To share findings from the Risk Management review to date
- To receive feedback on Risk Management strengths and weaknesses
- To gain support from the Exec Cabinet for recommendations and next steps

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Agenda

- Observations to date
- Initial recommendations
- Next steps
- Appendix – project approach

Risk Management review – initial observations

Initial observations from desktop review and Head of Service interviews

- While risk management processes are in place there is inconsistency in their application across the authority and it is recognised that further work to embed risk management is needed
- Services
 - Not all services have up-to-date risk registers in place
 - Many risk registers have actions with long overdue target dates, implying they are not regularly updated or actions not being taken. This highlights a weakness in the RM processes
 - While Service risk registers mostly in place they are not used to actively manage risk in the Service. Often completed for business plan process
 - Services are often rolling forward risk registers without identifying new or emerging risks

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The application of risk management across the Council is inconsistent

- Use of risk assessment criteria, number and detail of risk description, different templates for risk registers, identification of existing controls, use of inherent and residual risk, etc
- Risk registers include risks and issues. Including issues can mean that risks get less visibility and result in 'risks' seemingly becoming more significant the closer they get to milestones.
- Confusion over risk language – leads to poor content, which leads to poor attention or engagement
- Frequent use of 'risk of not achieving an objective' – without further assessment this is not a helpful approach to identifying risks (objective trap)

Risk Management review – initial observations

Initial observations from desktop review and Head of Service interviews

- Relationship between Service Risk and Corporate Risk

- It is not clear how the Corporate and Service risk registers relate
- The process for aggregation between Projects, Services and Corporate is unclear resulting in these processes not appearing to be joined up
- There are many higher rated (Red) Service risks than Corporate Risks. A clear risk appetite has not been established
- Heads of Service are not aware of Corporate risk register nor process for escalation or feedback
- Cross Service risks could be better managed at Pennaethiaid

- Planning and Performance processes alignment

- Risk is not well aligned to the planning and performance management process, budget process or scorecard. This is leading to duplication, inefficiency and confusion
- The role of the Performance Review Group for risk management is not effective. Given the overlaps bringing the risk and performance functions together would have some advantages
- There is some alignment between the approach to project risk management and the wider management of risk, although this can be improved

- Partnerships and joint working

- Risk is not always formally considered in partnership and joint working – as this increases and responsibility becomes separate from service delivery this will need to be improved

Risk Management review – initial observations

Initial observations from desktop review and Head of Service interviews

- Risk Management Strategy – roles and responsibilities
 - Reporting and review of risk in the quarterly performance management meetings not happening effectively
 - SLT is not reviewing new/changed corporate risks quarterly routinely
 - SLT quarterly reporting to Exec, Audit Cttee and Scrutiny Cttee not a routine process
 - Service risk escalation to SLT unclear, with RMG now disbanded and PRG not fulfilling this role. Some facilitation and quality assurance will be needed during the improvement process
 - Risk not routinely included in key decision reports
 - No regular review and sign-off of risk appetite at Exec Cabinet
 - Not clear that Exec Cabinet are holding SLT to account for RM nor receiving reports on top risks
 - Reviews with Directors and Portfolio members not consistent – good challenge process
- Senior staff are not all familiar with Risk Management Strategy, which can be better signposted in induction
- Culture of delivery, follow-up and accountability seems poor

Risk Management review – Initial recommendations

- Clarify clear roles and responsibilities for risk management, including for Members
- Improve ownership at SLT and HoS level
 - Reinforce the business case for management buy-in and improve SLT sponsorship
 - Review and approve risk criteria as risk appetite and to better support prioritisation
- More clarity of relationship between Corporate and Service risk
 - More focused risk reporting and escalation and feedback
 - Use of Heads of Service forum to engage senior management in risk
- Improve consistency of risk management across the Authority
 - Training to raise the level of understanding about risk and risk management (eg risks and issues, controls, ranking)
 - Revise risk register format
 - Risk function and 'risk champions' to help facilitate the process (consider role of risk function)
- Focus on actions to manage risk and their delivery, and the effectiveness of controls
- Alignment with the planning, budgeting and scorecard
 - Align action planning and monitoring indicators and avoid duplication
 - Build relationship with key risk management processes; project risk management and partnerships and joint ventures
- Revise and simplify the Risk Management Policy and Guidance to reflect current needs

Risk Management review – Short term deliverables

- Risk training (SLT, Heads of Service and direct reports) Q4 2014
- All Service risk registers updated and signed-off Q4 2014
- Risk Management Policy and Guidance updated Q4 2014
- Forward road map Q4 2014
- Corporate risk register updated and signed-off Q1 2015
- Member reporting of risk progress and Corporate Risks Q1 2015

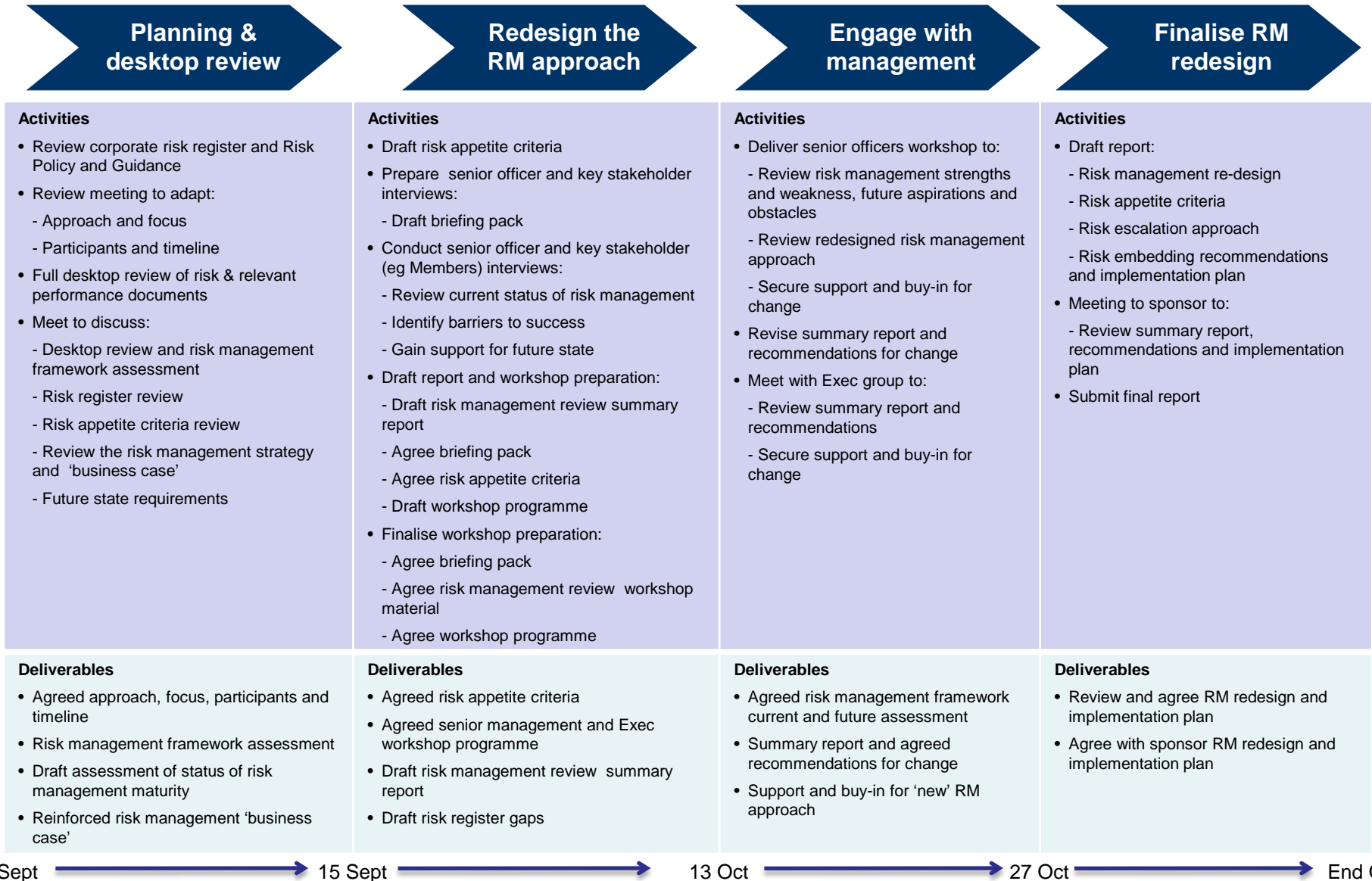
Risk Management review – key next steps

- Meeting with Audit and Scrutiny Chairs, Vice Chairs and Leader (TBA)
- Training (Nov - tba)
 - All SLT, Heads of Service and direct reports - 18, 19, 25, 26 Nov
 - Awaiting slot for members
- Risk Management Policy update – draft ready for training
- Service risk register update – as part of business planning (Dec, Jan)

Appendix

Project Approach

Approach



Appendix - Understanding your needs

Understanding your needs

The Council recognises that risk management is a key tool to making informed decisions and deliver its objectives and although the Council has policies and procedures in place to manage risks there have been issues in embedding risk management throughout the organisation.

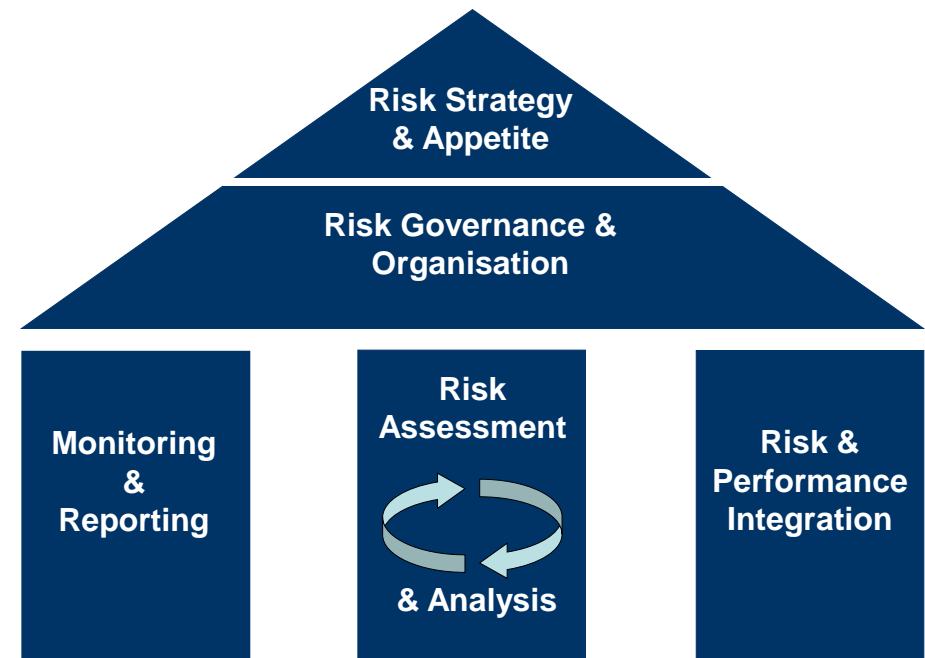
In order to assist embedding risk management into the organisation I understand your needs are:

- Review the existing Risk Management Strategy and Guidance and propose improvements to them.
- Engage with Members, Managers and Services to improve their understanding and approach to risk management. A copy of the Council's current senior management structure is enclosed for ease of reference.
- Review the current Service Risk Registers, assist in identifying gaps in the risks identified, and suggesting a method for ensuring consistency in the language used to describe risks and the likelihood and impact scoring.
- Review the arrangements for escalating Service, Project and Partnership risks to the Corporate Risk Register, recommending improvements into these arrangements.
- Review the Corporate Risk Register and assist in identifying gaps in the risks identified.

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Risk Management framework

The review will be based upon reviewing your approach against all aspects of our good practice risk management framework (below).



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Cllr. Ieuan Williams
Leader
Isle of Anglesey County Council
Council Offices
Llangefni
Anglesey
LL77 7TW

Reference	C14231
Date	28 November 2014
Pages	1 of 3

Dear Cllr. Williams

Annual Audit Letter – Isle of Anglesey County Council 2013-14

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and my reporting responsibilities under the Code of Audit Practice.

The Council complied with its responsibilities relating to financial reporting and use of resources.

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This code is based on International Financial Reporting Standards. On 30 September 2014, I issued an unqualified audit opinion on the accounting statements stating that they present a true and fair view of the Council's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee in my Audit of Financial Statements report on 23 September 2014.

The departure in February of the accountant who prepared the previous year's Statement of Accounts and the absence and subsequent departure of the previous Section 151 officer from April resulted in significant pressure being placed on the finance team to produce a CIPFA Code compliant draft of the Statement of Accounts.

I identified two material misstatements through the course of the audit fieldwork of £3.7m and £10.1m relating to Equal Pay provisions and the valuation of fixed assets respectively. Whilst these had no effect on the Council Fund balance, provisions were materially overstated and fixed assets were materially understated in the draft accounts presented to the audit team. Further immaterial errors were also identified. These issues could have been identified by a more detailed review during the production of the accounts.

I continue to have concerns regarding the reliance on temporary staff within the finance team. It is essential that arrangements are put in place as soon as possible to ensure that the finance team has adequate and appropriately skilled resources going forwards.

I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government (Wales) Measure 2009. The Auditor General will highlight areas where the effectiveness of these arrangements has yet to be demonstrated or where improvements could be made when he publishes his Annual Improvement Report.

I would like to highlight the following specific areas in this letter:

The financial outlook for the Council remains challenging and financial planning and monitoring arrangements are in place to identify the funding gap and facilitate the savings required. Difficult decisions will again be required to secure the savings required on a sustainable basis.

The Council had reasonable arrangements in place for the production and submission of its 2013/14 grant claims but there is scope for improvement. 62% of the grant claims

certified by PwC in respect of 2012/13 were subject to a qualification letter (38% in 2011/12). 38% of the grant claims were submitted by the Council after the submission deadline, compared with 39% for 2011/12. A more detailed report on my grant certification work in respect of 2013/14 will follow in 2015 once this year's programme of certification work is complete.

I issued a certificate confirming that the audit of the accounts has been completed on 30 September 2014.

The financial audit fee for 2013/14 is currently expected to be higher than the agreed fee set out in the Annual Audit Outline because of the additional work required in several areas for the audit of the accounts, including the pension liability, equal pay provisioning and the production of the final draft of the Statement of Accounts.

Yours sincerely



Lynn Pamment
For and on behalf of the Appointed Auditor

ISLE OF ANGLESEY COUNTY COUNCIL	
COMMITTEE:	AUDIT COMMITTEE
DATE:	10 DECEMBER 2014
TITLE OF REPORT:	PROGRESS REPORT ON INTERNAL AUDIT 01 APRIL 2014 – 14 NOVEMBER 2014
PURPOSE OF REPORT:	FOR INFORMATION
REPORT BY:	AUDIT MANAGER
ACTION:	N/A

1. INTRODUCTION

- 1.1 The Operational Plan for 2014-15 was presented to and accepted by the Audit Committee at its meeting held on 10 April 2014. The Plan was produced in consultation with the External Auditor, the Section 151 Officer and various meetings and communications with Heads of Service.
- 1.2 The following report summarises the work of the Internal Audit Section up to the 11 November 2014 and gives a summary for each of the final reports issued since the last Audit Committee.
- 1.3 Final reports which result in a 'Red Assurance' opinion will be subject to a Follow Up review which will include an audit opinion on the progress of management in implementing the recommendations categorised as High and Medium within the original final report. The results of the Follow Up review will be presented to the next Audit Committee.
- 1.4 There were no reviews in the previous period which resulted in a 'Red Assurance' opinion.
- 1.5 The Internal Audit Service uses a Risk Based approach wherever possible but may use System Based, Key Controls, Establishment or Advisory reviews if these approaches are more appropriate.
- 1.6 The individual final reports are available to members of this Committee, in confidence, on request to the Audit Manager.

2. REPORTS ISSUED SINCE LAST UPDATE REPORT

Listed below are the Final Internal Audit Reports issued since the last progress report to Committee along with a summary of the results of each review.

- 2.1.1 **Logical Access Controls & Segregation of Duties** - An audit of System Controls - Logical access & Segregation of Duties was undertaken as part of the approved internal audit periodic plan for 2014/15. The Council's Financial

Procedure Rules at 4.8.3.2.1 state that each Responsible Officer (paragraph 4.8.2.6 defines a “Responsible Officer” as a Corporate Director or Head of Service or such other person who has been given authority under the Council’s Delegation Scheme) is required to maintain proper security at all times over money and all other assets under his or her control, and for security of access to computer systems.

Internal Audit has identified numerous instances of control weakness in relation to system and data security and lack of enforced segregation of duties during previous reviews of the Council’s systems and applications. This review was therefore designed to identify gaps in corporate policy and controls and provide a basis for more clearly defining roles, responsibilities and accountability in relation to system and data security.

The following areas of control weakness were identified during the review:

Listing of Systems - There was no comprehensive corporate listing of all of the Council’s computerised systems and electronic data storage systems. This increases the risk that there are unidentified systems in place which are not subject to appropriate security standards.

Policy Declarations - The Council does not have a policy compliance process in place which requires a signed (physical or electronic) declaration that relevant users have read, understood and agreed to abide by corporate ICT policies including those relating to security of systems and segregation of duties. This increases the risk that users are not aware of the Council’s ICT policies and procedures and that they therefore do not comply with them.

At the time of review there was no procedure in place to ensure that new starters granted access to the Council’s network had read, understood and agreed to abide by the Council’s key ICT policies.

Defined Roles and Responsibilities - The roles, responsibilities and accountability for system security and segregation of duties on the Council’s computerised systems and electronic data storage systems has not been formally defined or assigned for each of the identified Council systems. During our review we found some confusion over the role, responsibilities and accountability of individuals designated as ‘data owners’ and ‘system administrators’ with regard to system security and application of segregation of duties. The review found in some instances during testing that the lack of clarity on the roles of ‘data owners’ and ‘system administrators’ had resulted in system security and segregation of duties not being compliant with Council standards where these were formally documented.

ICT Security / Access Control Policy – The Council’s current ICT policies do not fully define logical access and system security controls in line with the best practice included in the ISO 27002:2005 Code of Practice for Information Security. Such guidance includes the setting of security controls at a level determined by the sensitivity of the data held on individual systems. Current ICT policies do not define corporate standards of procedure over the setting up of new users, the amendment of existing access rights or the prompt removal of leavers.

Audit testing identified that a number of systems in our sample did not have logical access controls and / or access rights set in line with current Council ICT policies. This increases the risk of unauthorised access, amendment or deletion of Council data.

Mobile Devices – The Council has issued a number of mobile devices including iPads to senior management and to Members. Such mobile devices do not allow the enforcement of logical access controls in line with current Council ICT Policies in terms of password length, format or force change. The Council

needs to consider the type of data that is potentially stored on such devices when updating its policies to include the security of mobile devices.

The review also found that some laptops in our sample used for testing had not been appropriately encrypted in line with ICT Services' procedures. We were also informed of an instance where a mobile device had not been returned when the user had left the Council (since returned).

We requested ICT Services to verify for a sample of listed users who were known to have been issued with mobile devices but have since left the employment of the Council whether such devices had been returned upon leaving. ICT Services was unable to provide such information from the information held centrally within ICT.

We were informed that Members have been offered the opportunity to purchase their laptops issued to them by the Council when they left office. At the time of review Audit was unable to identify any procedures in place to ensure that such equipment is cleansed of all Council data prior to sale.

Controls over New Users, Amendments and Leavers – Audit testing of a sample of systems found that there were weaknesses in the control over the setting up of new users, amendment to existing users' access rights and the prompt removal of users' access rights when a user changes role or leaves the Council.

There are an increasing number of systems that have their initial logical access synchronised with their Active Directory log in for the network. Such systems rely on the controls in place for the set up of new users, amendment of rights and prompt removal of access to the network for users leaving the Council's employment; however we found that such controls relating to the network were also weak in these areas. For example new starter forms requesting access to the network evidencing the appropriate authorisation could not be located for a number of new starters tested and some known leavers still had active access rights on the network.

There is currently no corporate sharing of information in relation to starters and leavers which could be used by ICT for the network and 'system administrators' for other systems to use to review their current 'active users' lists on an ongoing basis.

Our finding concerning ICT Security / Access Control Policy in terms of formally defining and assigning the roles and responsibilities of system administrators is also relevant here.

Access Granted to Temporary and Agency staff – There is currently no formal policy and procedure for the setting up and prompt removal of the access rights of temporary or agency staff on the Council's network and systems. Audit testing of a sample of systems found that at least one such staff still had active access rights after they had left their positions with the Council. We also identified that forced removal of access rights for such staff was not being set in line with their known termination dates.

The parameter setting to force disablement of access rights after a user has not accessed the network for a set period was also not being utilised. This setting acts as a back up control where leavers have failed to have their access rights disabled promptly via normal procedures.

Segregation of Duties – Audit testing of a sample of Council systems found weaknesses in the enforcement of segregation of duties in a number of areas including; Payroll and Human Resources functions, Debtors, Creditors, and SX3. This increases the risk of the likelihood that errors (intentional or unintentional) will remain undetected.

The review also identified that there was a lack of compensating controls being introduced where segregation of duties cannot be fully system enforced via access rights or where reductions in staff preclude adequate segregation.

Opinion: An overall RED audit opinion resulted from the review with seven High, six Medium and two Low category recommendation being agreed with management.

2.1.2 Information Governance Follow Up - As part of the approved internal audit plan for 2014/15 we have undertaken a follow up review of the progress made by the Council to implement previous audit recommendations in the Information Governance Reports issued by the Council's external auditors, PriceWaterhouseCoopers in May 2011 and Internal Audit Follow up report of Information Governance in 2012/13.

Information Governance and Data Security have become high profile areas of risk over the past few years and following the Information Commissioners review in 2013/14 of Anglesey Council's information security measures a report was issued to provide improvements by October 2014. The Council at the time of the Information Commissioners report was required to sign a formal 'undertaking' (formal commitment to implement improvements) with the Information Commissioner.

Follow Up Conclusion – the Council has demonstrated good progress in implementing actions agreed to address recommendations made as 100% of the recommendations have, or are being addressed.

2.1.3 Schools Key Controls Audit - Finance and Governance - Two Final reports from audit work at two of the Council's schools were completed in the period. The reviews resulted in Green audit opinions. Recommendations to strengthen internal control weaknesses identified have been made with the relevant Headteachers concerned.

2.1.4 School Financial Management – Budgets – A review of School Financial Management Arrangements was included in the Internal Audit Operational Plan for 2014-15. Audit also received a request from the Director of Lifelong Learning and the Section 151 Officer to review the operational methods and procedures used by schools in managing their individual school budgets. The request was in response to a significant deficit being reported at one of the island's secondary schools. As the main concerns of management related to budget monitoring and outturns our work concentrated on these areas.

Opinion: This was an advisory review which resulted in the identification of four areas in which current arrangements could be enhanced.

2.1.5 Third Sector Grants - In a letter dated 8 May 2014 addressed to all Local Authority Leaders, the Minister for Local Government and Government Business drew attention to the Local Authority requirement to comply with the Welsh Government's Code of Practice for Funding the Third Sector.

Third Sector organisations in terms of the Code of Practice can be defined as voluntary organisations who are bodies (other than local authorities or public bodies) whose activities -

- Are carried on otherwise than for profit, and

- Directly or indirectly benefit the whole or any part of Wales (whether or not they also benefit any other area).

The following areas of control weakness were identified during the review:

Staff Awareness – Not all relevant staff were aware of the existence of the Welsh Government's Code of Practice for Funding the Third Sector and therefore may not be complying with it.

Procedure and Guidance – There is no formally documented procedure and guidance on compliance with the Code and there has been no formal assignment of individuals corporately and within Services to be responsible and accountable for compliance with the Code. We could find no evidence that monitoring of compliance with the Code was being undertaken in practice.

Identifying Third Sector Grants - There is no corporate record of Third Sector Grants which are subject to the requirements of the Code of Practice for Funding the Third Sector or any other way of identifying these for corporate monitoring purposes. This means that it is not possible for the 'Finance Department and its Internal Audit Services' to provide monitoring or assurance on compliance with the Code.

Non Compliance with the Code – Our testing of a small sample of identified Third Sector Grants for compliance with selected key requirements of the Code found non compliance within the sample in relation to the requirements tested.

Opinion: An overall RED audit opinion resulted from the review with three High category recommendations being agreed with management.

2.1.6 School Clothing Grant - An audit of School Clothing Grants was undertaken as part of the approved internal audit periodic plan for 2014/15.

The purpose of the review was to provide assurance that the terms and conditions of the grant have been complied with and that the grant has been used for the purpose intended.

The review supports the Certification that is required to be completed for a three year period covering 2011/12 – 2013/14 to the effect that the grant has been spent and administered in accordance with the Welsh Government's terms and conditions of grant.

The review found that the Council was complying with the terms and conditions of the grant.

Opinion: An overall GREEN audit opinion resulted from the review with one Low category recommendation being agreed with management.

2.1.7 Schools Follow Up - As part of the approved Internal Audit periodic plan for 2014/15 we have undertaken a review to follow up progress made by Anglesey County Council schools to implement previous internal audit recommendations.

Opinion: The review found that management has demonstrated reasonable progress in implementing actions agreed to address internal audit recommendations. Outstanding recommendations were discussed with the relevant Head Teacher and re-iterated where appropriate.

2.1.8 Plas Arthur Leisure Centre - An audit of Plas Arthur Leisure Centre was undertaken as part of the approved internal audit periodic plan for 2014/15.

Plas Arthur Leisure Centre is one of five Council owned leisure centres situated on the Isle of Anglesey, providing sports, leisure and recreational facilities to the public. Total attendance at the Leisure Centre for the financial year 2013/14 is recorded as 210,754. Ledger records show that net expenditure at the Centre amounted to £186,122 in 2013/14.

Opinion: An overall GREEN audit opinion resulted from the review with one Medium and five Low category recommendations being agreed with management.

2.1.9 National Fraud Initiative 2014 - The National Fraud Initiative is a data-matching exercise that helps detect fraudulent and erroneous payments from the public purse across the UK. The National Fraud Initiative (NFI) runs every two years and matches data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions.

There are three main requirements that the Council must comply with. These relate to:

- 1) Release of required specified data sets in the format required by the Auditor General; and
- 2) Ensuring that adequate information is provided to those providing data to the Council that their data may be used for data matching purposes. Such information should be in the form of a Fair Processing Notice. The Council must complete a declaration to the effect that adequate FPNs have been provided for each data set covering the period of the data to be released.
- 3) Upload of required data to the NFI website within the timescales set out by the Auditor General.

Opinion: This was an advisory review which resulted in the identification of some data collection forms which did not include adequate references to data processing required by the Data Protection Act 1998 and the Code of Data Matching Practice (2008). Management is taking action to review and amend the non compliant data collection forms identified.

2.1.10 Gaerwen Depot – Diesel - The Council maintains diesel tanks at the Gaerwen Depot for the use of Council vehicles. In April 2012 Fleet Management (Environment and Technical Service) took over control of the administration of the Diesel stocks from the Building Maintenance Unit (BMU) (Housing Service).

This review concerned the arrangements in place for the management and security of the diesel stocks.

Opinion: This was an advisory review which resulted in the identification of three recommendations designed to strengthen control in this area.

2.1.11 Closure of Accounts Processes 2013/14 - An audit of Closure of Accounts 2013/14 Timetable - Process Review was undertaken as part of the approved internal audit periodic plan for 2014/15. The review was undertaken in order to provide corporate assurance over the processes in place for the closure of the 2013/14 accounts which due to past issues surrounding closure is

considered a significant corporate risk. Issues relating to vacancies within the senior management of the Finance Service and to the Section 151 Officer role have added to the risks in this area.

The review found that a number of areas of good practice were being introduced by the Interim Accountant at the time of our review. However, closure was only completed on the deadline day in September 2014 and therefore it is essential that improvements continue to be made in this area for the closure processes for the 2014/15 accounts.

Opinion: An overall GREEN audit opinion resulted from the review with one Medium and one Low category recommendations being agreed with management. However, this opinion was based on ongoing improvements in processes being undertaken at that time which need to be sustained on an ongoing basis.

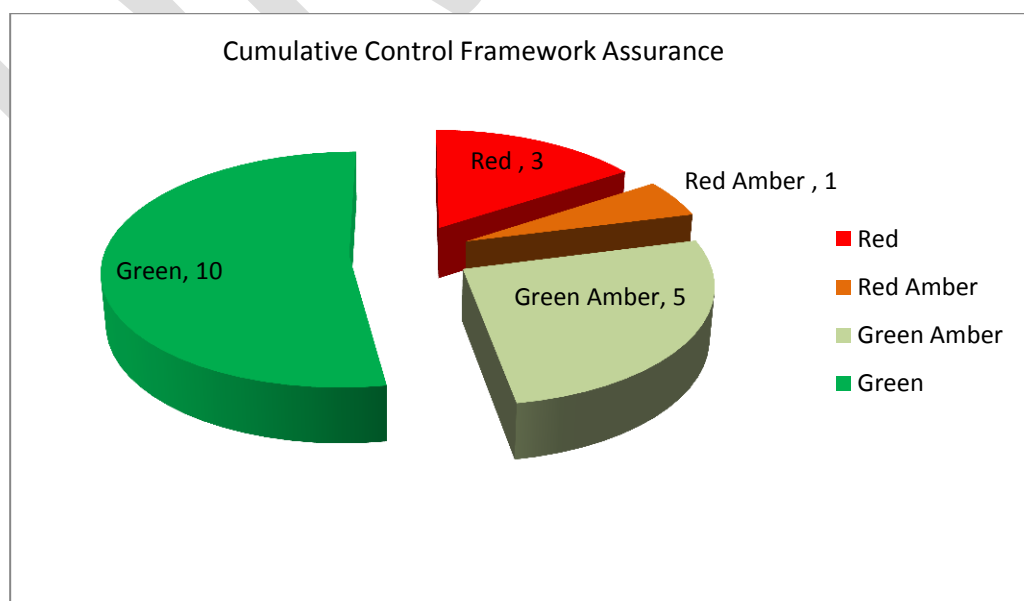
2.1.12 Amlwch Leisure Centre - Amlwch Leisure Centre is one of five Council owned leisure centres situated on the Isle of Anglesey providing sports, leisure and recreational facilities to the public. Total attendance at the Leisure Centre for the financial year 2013/14 is recorded as 158,821.

The review covered a range of financial and non financial controls operating at the Leisure Centre.

Opinion: An overall GREEN audit opinion resulted from the review with five Low category recommendations being agreed with management.

2.2 Summary of Outcomes of Reports Issued to Date – since the 01 April 2014 we have issued seven final reports from the Internal Audit Operational Plan 2013-14; and nineteen from the 2014-15 plan. To date therefore a total of twenty-six final reports has been issued in 2014-15.

A summary of the grades given for the 19 final reports issued from the 2014-15 Plan with RAG opinions is shown in the pie chart below:



This pie chart will be updated cumulatively in each subsequent Internal Audit Progress Report and will therefore provide an indicator of the audit opinion of the overall control framework which will be reported in the Annual Report of the Chief Audit Executive.

3 INTERNAL AUDIT FORWARD WORK PROGRAMME

Scheduled Review Title	Service Area	Current Status
Logical Access Controls - Compliance	Corporate	FINAL
Information Governance – Follow Up	Corporate	FINAL
Ysgol Henblas	Lifelong	FINAL
School Financial Management – Budgets	Lifelong	FINAL
Third Sector Scheme	Corporate	FINAL
School Clothing Grants	Lifelong	FINAL
Schools Follow Up	Corporate	FINAL
Plas Arthur – Leisure Centre	Community	FINAL
NFI 2014	Corporate	FINAL
Gaerwen Diesel Stocks	Highways	FINAL
Ysgol Cylch y Garn	Lifelong	FINAL
Closure of Accounts - Processes	Finance	FINAL
Amlwch Leisure Centre	Community	FINAL
TalNet	Partnership	Draft Report Issued
Maritime Fuel	Community	Draft Report Issued
Homelessness	Housing	Draft Report Issued
Sports Development	Community	Draft Report Issued
Teachers' Payroll	Education	Draft Report Issued
Ysgol Pentraeth	Lifelong	Draft Report Issued
Creditors	Finance	Work in Progress
Debtors	Finance	Work in Progress
Main Accounting System	Finance	Work in Progress
Cashiers	Finance	Work in Progress
National Non Domestic Rates	Finance	Work in Progress
Council Tax	Finance	Work in Progress
Information and Decision Flows Mapping	Finance	Work in Progress

4. REFERRALS

- 4.1** During the course of the year the Internal Audit Section is required to carry out work on matters which come to light during the programmed audit work, or matters which are brought to its attention by other Departments, or work which other Departments request the Internal Audit Section to carry out. Work may also be requested by the External Auditor to provide information or to assist in the provision of information. Some of these referrals result in the issue of formal audit reports whilst others will be recorded in File Notes (e.g. where the allegation / information is found to be incorrect and therefore there is nothing to report, or the amount of work is not sufficient to warrant a full audit report or the matter is covered by an External Auditor's report).
- 4.2** A number of File Notes have been produced in the period to date in 2014/15. None of the work resulting in a File Note has identified any evidence of fraud or irregularity.
- 4.3** As previously reported to the Audit Committee one referral from 2012/13 is being investigated by the Police. The Internal Audit Team received a draft statement from the Police which was completed and returned in August 2014. The Committee will be informed of the outcome of this case in due course.

5. RECOMMENDATION TRACKING

- 5.1** For reporting to this Committee only recommendations made since 01-04-2012 have been included in the recommendation tracking analysis.
- 5.2** The percentage implementation rate at 31 October was 56% of 'High' and 'Medium' recommendations having been recorded as implemented. The performance in relation to recommendations other than those in Education is 84% (Figures as at 31-10-14).
- We are liaising with the Education Service on improvements to the process for the reporting of implementation rates within schools.
- 5.3** A graph showing the breakdown of recommendation implementation by Service is provided at Appendix A.

6. CURRENT AUDIT CONCERNS

- 6.1** A report on progress made on the previously reported areas of Internal Audit concern was presented to the Committee by the Deputy Chief Executive at its September 2014 meeting.

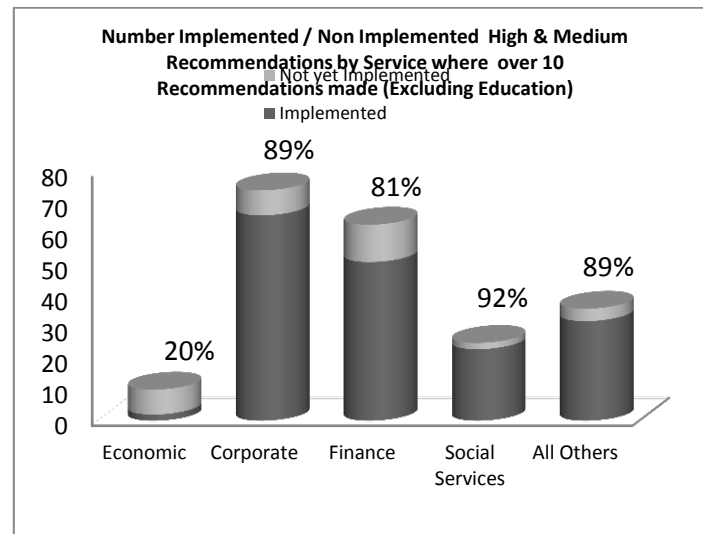
**AUDIT MANAGER
10 DECEMBER 2014**

APPENDIX A

Recommendation Tracking Table –Non Education High & Medium Recommendations Created Since 01-04-2012 Progress Table: % implemented / non implemented of high and medium category recommendations by service where over 10 recommendations made But excluding Education; **which total at the end of the period was 84% of all such recommendations.**

In our opinion therefore based on the self assessed data in the Progress Table above the Council has made ‘good progress’ in the period in implementing High and Medium categorised Internal Audit recommendations.

NB it should be noted that the increased implementation rate is the result of data cleansing of recommendations by Internal Audit and the amendment of a number of target dates for implementation due to recommendations ‘being partly implemented’ with some work ongoing or where the assigned ‘responsible officer’ for implementation has changed.



Overall 84%

ISLE OF ANGLESEY COUNTY COUNCIL	
COMMITTEE:	AUDIT COMMITTEE
DATE:	10 DECEMBER 2014
TITLE OF REPORT:	ANNUAL PREVENTION OF FRAUD AND CORRUPTION REPORT 2013-14
PURPOSE OF REPORT:	REVIEW ACTIVITY IN THIS AREA
REPORT BY:	AUDIT MANAGER & COUNTER FRAUD OFFICER
ACTION:	FOR INFORMATION

1. INTRODUCTION

The Council's policy on preventing Fraud and Corruption requires an annual review and report for the Audit Committee. This report covers activity in this area in 2013/14 and. The following areas are covered by the Council's Policy for the Prevention of Fraud and Corruption:

- **Fraud:** - "the intentional distortion of financial statements or other records by persons internal or external to the Authority which is carried out to conceal the misappropriation of assets or otherwise for gain".
- **Corruption:** - "the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person."
- **Theft :**
- **Failure to disclose** an interest: whether or not financial benefit is involved.

The key principles of the policy in relation to fraud and corruption are:-

- Reducing opportunities;
- Prevention;
- Deterrence ;
- Detection and Investigation;
- Prosecution and Recovery.

Underpinned by:-

- Culture and Awareness.

2. REDUCING OPPORTUNITIES AND PREVENTION

The main aim of the policy is to prevent fraud, corruption or theft occurring in the first place. This is done largely by the routine operations of financial controls, including internal check and separation of duties. It is impossible to report systematically on prevention as there are no statistics on what did not happen. However, Members are provided with assurance on the effectiveness of internal control systems by both Internal and External Audit and by other third party assurance opinions. Internal Audit reports to each Audit Committee on progress including an ongoing assessment of the internal control system from reviews undertaken during the period. An opinion

on the framework of internal control is given annually as part of the Annual Governance Statement.

Examples of ongoing routine operations to prevent fraud and corruption include:

- (i) Proactive work in relation to production and monitoring of reports on duplicate payments and reviews including reconciliation of establishment reports to payroll are used to identify irregularities which are then followed up. Such work supplements the internal control system and acts as a substantive control over relevant activities.
- (ii) Robust insurance claims handling procedures including forwarding claims promptly to our insurance company for investigation as necessary and dealing promptly in settling substantiated claims but repudiating the remainder, provide some protection to the Council from any fraudulent claims.
- (iii) The routine collection and banking of cash presents an inherent risk in terms of temptation to “teem and lade” which can lead ultimately to theft. By monitoring the pattern of bankings we aim to correct the position before any losses occur: Identification of late bankings may come through the Income Team or through management review of budget income headings or as part of a third party assurance review. Follow up after identification with the staff involved helps to prevent and detect theft. Such instances were identified in the period covered by this report and were the subject of investigation and report by Internal Audit.

3. DETECTION, INVESTIGATION, PROSECUTION

Suspensions of actual theft or fraud may come from a number of sources. Suspensions may be identified by the authority’s staff by routine administration, they may be the subject of internal / external ‘whistleblowing’ such as the Benefit Fraud hotline, they may be identified by the Council’s review and compliance staff or they may be referred by other agencies or the public.

Whatever the suspicion, investigations need to be proportionate, confidential and fair. Some suspicions or allegations turn out to be malicious or simply mistaken; the presumption of innocence is important and not all investigations result in a conclusion of wrongdoing.

A major factor in the determination of a referral and successful investigation is the quality of the information provided. Where anonymous referrals including allegations are made with no supporting evidence the chances of a successful investigation are clearly greatly reduced. Such referrals in the end are counter-productive in as much as they divert the Council’s scarce investigative resources.

Benefit Fraud Cases- During 2013/2014 the Benefit Fraud team identified 41 cases that were suitable for consideration for some form of formal sanction. Of these case 14 proceeded to court and all but two were either found guilty or pleaded guilty to the charges laid against them. There were 22 formal cautions and 5 Administrative Penalties and the total fraudulent overpayment identified was calculated as being £227,716.51p.

Established prosecution policies in the case of Benefit fraud include a range of sanctions which allow a proportionate response. At the lower end of the scale, a caution or administrative penalty is often sufficient to underline the severity of the fraud and deter repetition. The authority is not reluctant to prosecute fraudsters for the more serious cases. The table below shows the type and number of sanctions issued in 2013/14, compared to those issued in the last three years:

	Prosecution		Ad Pen		Caution	Overpaid Benefit identified
2013 -14	14		5		22	£227,716
2012-13	7		13		19	£236,555
2011-12	10		6		26	£344,303

There were two notable cases taken to court where the fraudulent overpayment of benefit was substantial. The first case concerned a person who had claimed benefits over a period of nine years on the basis that he was either not fit to work or on a low income. Enquires made revealed that the claimant had declared his income to be only £50 per week whereas in reality it was excess of £300 per week, the claimant had submitted false wage receipts to back up his claim. When the declared work ended, the claimant claimed benefit on the basis that he was unfit to work, when in fact he continued to carry out heavy manual self-employment as a stone mason. When confronted with the facts during an interview, the claimant admitted that his claim for benefit had been false. As a result his claim to benefits was reassessed which resulted in a total overpayment of just under £100,000. As a result the case was taken to court where he pleaded guilty. The magistrates felt that due to the seriousness of the offence that their sentencing powers were insufficient and the matter was sent to the Crown Court where he received a 20 month custodial sentence, suspended for two years, in addition he received a 300 hrs community punishment order.

The second case involved a lady who had claimed benefits over a two and a half year period as a single mother, whereas in fact her husband, who was in full time, well paid employment, was living with her and their children. Though she denied the offence during interview, when she did appear before the magistrate's court she pleaded guilty and received a community punishment order. The overpayment of benefit in this case was nearly £20,500.

Other Fraud Cases- In addition to the investigation of Benefit related referrals there were a number of referrals made to Internal Audit in which allegations of fraud or other wrong doing were made. The investigation of these allegations, found evidence of weak internal control in some instances but did not find positive evidence of irregularity and / or fraud taking place in the majority of investigations commenced in the period.

There were two exceptions to the above concerning the identification of irregularity and / or fraud, one was a referral concerning the fraudulent request to change the bank details of an existing Creditor of the Council. This fraudulent request resulted in three payments being processed for payment to a bank account that did not belong to the Creditor concerned. The Police were informed of the fraud and informed us that it was part of a national fraud targeted at the public sector. The Police are still looking into this fraud at the time of writing of this report. The other incident was the reporting of the theft of diesel from the Gaerwen depot. This matter was referred to the police and steps were taken to strengthen the security of the depot and especially the diesel tanks themselves.

During 2013-14 Internal Audit was asked to assist Betsi Cadwaladr with an investigation which involved reviewing paperwork held by the Council. Members of the Internal Audit Team met with Betsi Cadwaladr to assist their investigation and also obtained documents from archive requested by the investigators.

The details of investigative work provided above is evidence of the Council's commitment to investigate referrals and to take appropriate action where wrong doing and or fraud and corruption are identified.

4. NATIONAL FRAUD INITIATIVE (NFI)

The authority participates in the National Fraud Initiative which takes place every two years. The Initiative involves certain data within the authority being matched with other authorities in order to identify any irregularity that may be indicative of fraud. In deciding on the release of information for data matching it is necessary to consider whether individuals had fair notice of the intention to process their information in accordance with data protection principles.

Participation in NFI is a proactive method of identifying possible fraud within the Council's systems and between Council systems. As with all referrals not all provide enough evidence of fraud to warrant investigation but where they do appropriate investigation and action is undertaken by the Council.

The last NFI data match was undertaken in 2012/13 with the next being scheduled for 2013/14. Therefore there was no NFI participation in 2013/14 to report.

5. HOUSING BENEFIT DATA MATCHING

Housing Benefit Matching Service (HBMS) – the Authority is committed to investigating referrals that are generated through HBMS, these are cases where a discrepancy has been identified through matching the Housing and Council Tax Benefit data against DWP and HMRC data, this generates a referral that needs to be investigated and may result in a fraud case.

In 2013/14 the Council continue to take an active part in the HBMS process with a number of positive results in terms of sanctions.

6. DETERRENCE

There are a number of ways of deterring those that would commit fraud and corruption. For a fraud to take place requires an opportunity for the fraudster to obtain monies or other personal benefit from our systems. The first line of defence therefore is to have an adequate internal control system in place that does not provide such opportunities. A major part of the work of Internal Audit is to review systems of control, identify weaknesses and make recommendation to ensure that opportunities to commit fraud are minimised.

Another deterrent is to make it known that the Council is vigilant in relation to fraud and corruption and will ensure that once identified appropriate action is taken. Such deterrent is reinforced when people are made aware that the details that they provide are validated and checked not just within the Council but between public bodies.

7. CULTURE AND AWARENESS

The publicity given to anti-fraud work and successful prosecutions also helps to promote an anti-fraud culture within the authority. A positive anti-fraud culture is part of good corporate governance.

Training sessions on forged and counterfeit documentation identification have been held by Benefit Fraud for Benefit and Housing Service staff in 2013/14. Such training enhances staff awareness of the issues involved and allows them to prevent fraud by detection at an early stage prior to any benefit being paid.

Fraud awareness training provided was held in December 2013 by an external trainer for Housing, Benefits and Cash Office staff and covered general fraud awareness issues for local government.

8. EMBEDDING COUNTER FRAUD AND CORRUPTION

The Audit Committee holds an annual Workshop at which self assessment of the effectiveness of the Audit Committee and self assessment of the Council's Counter Fraud Arrangements is undertaken by Members of the Committee assisted by officers.

For the last three years a workshop on Counter Fraud has been undertaken with Members of the Audit Committee. This year the workshop was held in January 2014 and considered the report on Counter Fraud arrangements produced by the Internal Audit Service which outlined the areas in which the arrangements were not considered to be meeting best practice. The Internal Audit report was based upon the Audit Commission's 'Protecting the Public Purse 2012 - Fighting Fraud against Local Government' checklist for those responsible for governance and the National Fraud Authority's Fighting Fraud Locally - Counter Fraud Checklist.

An action plan aimed at ensuring that the Council is aware of where the risk of fraud exists and ascertaining the current counter fraud arrangements in place in identified areas of high fraud risk was produced.

The overall aim of this work is to further embed Counter Fraud activity and culture within the Council.

9. SINGLE FRAUD INVESTIGATION SERVICE (SFIS)

During 2013/14 as part of the Government's Welfare Reform programme the DWP worked towards the creation of a Single Fraud Investigation Service. This culminated in the decision to go ahead with a Single Fraud Investigation Service which became effective from 01 November 2014.

There was no impact on the Council of this decision in 2013/14 but obviously the decision will impact on counter fraud arrangements and especially those relating to Housing Benefit fraud in 2014/15.

10. REVIEW OF POLICY

The authority's Policy for Counter Fraud and Corruption was last reviewed in 2012 and was adopted by the Council at its meeting held in December 2012. In addition to the Counter Fraud Policy a Fraud Response Plan was produced and published in 2012 and was presented to the December 2012 Council meeting. The Council also has Whistleblowing and Anti Money Laundering policies.

All of these policies can be accessed by employees and Members via the Council's intranet site Monitor.

The Council does not currently have a specific Anti Bribery Policy stating how the Council meets the requirements of the Bribery Act 2010. The Bribery Act 2010 makes it a crime for organisations to fail to prevent people associated with them from committing bribery on their behalf. Protection against 'failing to prevent' is based on being able to demonstrate that the organisation has 'adequate' anti-bribery 'procedures' in place.

These policies are now in need of review and update as appropriate during 2014/15.

JOHN FIDOE
AUDIT MANAGER

HYWEL ELLIS
COUNTER FRAUD OFFICER

10 DECEMBER 2014

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ISLE OF ANGLESEY COUNTY COUNCIL	
COMMITTEE:	AUDIT COMMITTEE
DATE:	10 DECEMBER 2014
TITLE OF REPORT:	REVISED COUNTER FRAUD ARRANGEMENTS
PURPOSE OF REPORT:	FOR INFORMATION
REPORT BY:	AUDIT MANAGER
ACTION:	NONE

1. INTRODUCTION

As reported verbally to the Audit Committee at its meeting held on 07 November 2014 there has been a revision in the Council’s counter fraud arrangements which in part have been necessary due to national changes in how Housing Benefit fraud is identified, investigated and prosecuted.

This report details the revisions that have been put in place in response to the changes.

2. SINGLE FRAUD INVESTIGATION SERVICE (SFIS)

On the 1st November 2014 the Department for Work and Pensions Single Fraud Investigation Service (SFIS) took responsibility for the investigation of all “benefit” fraud investigations being conducted by the Isle of Anglesey County Council. This resulted in one of the authorities investigators transferring to the SFIS team and the other investigator was appointed to the new role of Corporate Counter Fraud Officer (CCFO) within the Internal Audit Service.

In effect this means that the Authority will no longer investigate Housing Benefit (HB) fraud, this function now being carried out by the SFIS. However SFIS will not investigate Council Tax Reduction Scheme (CTRS) fraud offences as this is not classed as a “benefit”, therefore it is envisaged that the Counter Fraud Officer will investigate CTRS offences. At this time it is not clear whether SFIS will partake in joint HB and CTRS fraud investigations in the future.

The DWP are aware that a great number of fraud referrals were generated by HB staff and they are conscious that following the transfer of internal benefit investigator to SFIS referrals may reduce considerably, so to counter this the DWP intend to instigate a financial reward scheme where the authority’s Benefit section will be paid a fixed sum for each referral.

The transfer of HB fraud investigations out of the jurisdiction of Authorities will have an effect on the HB administration staff, as they will be required to confirm to the SFIS team whether or not a customer is in receipt of HB and if so they will have to provide details of the claim and also copies of the claim form and correspondence, this function had been carried out by the Benefit Fraud Team in the past.

3. REVISED COUNTER FRAUD ARRANGEMENTS

With the creation of the Corporate Counter Fraud Officer post it is envisaged that the post holder will investigate CTRS offences and other Council Tax offences. It is planned that in consultation with the Housing Service that the CCFO will investigate incidents of tenancy fraud that may be identified by the Housing Service. The CCFO will also become responsible for the investigation of any possible fraud offences that

may be referred to the Internal Audit Service or identified by them during their routine auditing duties.

In addition to the traditional reactive measures mentioned above, it is intended that the CCFO will have a more proactive role in Corporate Fraud prevention and create a corporate framework geared towards creating a culture of fraud awareness and prevention within the Authority.

It is intended that an initial priority for the CCFO will be to liaise with all Services within the authority to produce a corporate fraud risk assessment. This risk assessment will be utilised to assist in formulating policies that will reduce losses to the Council and ultimately to the public purse. In addition the CCFO will facilitate fraud awareness training in relation to forged and counterfeit documents that may be produced for identification etc.

Audit Manager
November 2014

ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	AUDIT COMMITTEE
DATE:	10 DECEMBER 2014
SUBJECT:	AUDIT COMMITTEE SEMINAR
PORTFOLIO HOLDER(S):	COUNCILLOR H E JONES
LEAD OFFICER(S):	RICHARD MICKLEWRIGHT
CONTACT OFFICER:	RICHARD MICKLEWRIGHT
ACTION:	

BACKGROUND

As part of the Council's improvement programme, a seminar was held recently to assess the effectiveness of the Audit Committee and to identify any adjustments that are worthy of consideration in respect of the Committee's Terms of Reference or activities.

This report discusses the various matters that arose at that seminar.

The current Terms of Reference of the Committee is attached as Appendix A.

The focus of the Committee currently is primarily, but not exclusively, around issues of financial management, with governance and transparency being seen as of lesser priority historically.

The effective governance of the Council would be strengthened, arguably, if assessments of governance matters were more obviously included in the remit of the Committee.

A number of mechanisms are being considered to achieve that. These include:-

- (i)** adjusting the name of the Committee to be the Audit and Governance Committee;
- (ii)** review the formal Terms of Reference of the Committee to highlight governance issues more, and to develop the Committee's role in engaging with external regulators other than Auditors (there being an effective level of engagement with Auditors already).

The Council faces significant pressures in its finances in the coming years. To protect services in the face of such pressures, it is highly probable that the Council will need to enter into a wider variety of partnerships with other local authorities and with the wider public sector.

There is a danger that entering into partnership has the unintended side effect of diminishing accountability and transparency as the relationship between a service entity and the corporate leadership and/or elected Members of a participant body will inevitably be made more distant and, hence, less clear cut and effective.

There will be a benefit to Anglesey, therefore, in ringfencing the role of the Committee in assessing the effectiveness of such partnerships.

The effective management of the resulting profile of work is likely to have an effect on the number of meetings of this Committee that are necessary in a year. Currently, the Committee meets four times per year: it is envisaged that this will need to increase to either five or six meetings per year.

It is believed widely that the Committee carries out its duties effectively and to a good standard. It is recognised, though, that it would be beneficial to introduce a mechanism that allows that to be demonstrated objectively and allows any developmental issues to be identified and addressed.

The CIPFA report on Evaluating the Effectiveness of the Audit Committee includes an annual self-assessment check list and 2.5 suggested that the Committee would find it useful to complete this each year in order to demonstrate its continued effectiveness. This would build on the annual workshops currently carried out.

RECOMMENDATION

- (i)** The Committee recommend to full Council that the name of the Committee be changed to the Audit and Governance Committee;
- (ii)** Request that the Chief Internal Auditor to carry out a review of the effectiveness of the Council's arrangements for dealing with partnership working;
- (iii)** Note its past actions and resolve to continue carrying out the annual self-assessments of its effectiveness.

3.4.8 AUDIT COMMITTEE

3.4.8.1 Terms of Reference

3.4.8.1.1 to monitor the performance of internal and external audit of the Council and to secure its independence and in particular:

- (i)** to liaise with the Wales Audit Office over the appointment of external auditors
- (ii)** to consider the external auditor's proposed audit plan
- (iii)** to consider the external auditor's Annual Letter
- (iv)** to approve, on behalf of the Council, a statement of aims and objectives of the internal audit function
- (v)** to receive the annual Audit Plan as to the allocation of internal audit resources against different categories of work
- (vi)** to review the achievement of internal and external audit work against the respective audit plans
- (vii)** to consider the Audit Manager's Annual Report and Opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements
- (viii)** to ensure that the authority has a sound system of internal control which facilitates the effective exercise of functions and which includes arrangements for the management of risk and adequate and effective financial management. To review the effectiveness of internal control at least once a year and approve an Annual Governance Statement for inclusion with the authority's Statement of Accounts
- (ix)** to prepare a report for the annual meeting of the Council on its activities for the year
- (x)** to ensure that the Internal Audit function is adequately resourced and has appropriate standing within the organisation.

3.4.8.1.2 The Committee will be responsible for reviewing the authority's accounting policies and procedures and will review the authority's statement of accounts prior to its adoption by the full Council. This will include in particular –

- To consider whether appropriate accounting policies have been followed
- To give any instructions concerning accounting records and control systems as may be required by the Accounts and Audit Regulations (Wales) 2005
- To consider the external auditor's report to those charged with governance on issues arising from audit of the accounts

3.4.8.1.3 The Committee will also advise on the Council's Policy for Prevention of Fraud and Corruption, including –

- (i) reviewing the effectiveness of the policy
- (ii) to receive an annual report from the Head of Function (Resources) on the implementation of the policy

3.4.8.1.4 to receive progress reports from internal and external audit, including summaries of Audit reports.

3.4.8.1.5 to monitor management's response to Audit reports and, where it considers this appropriate, to forward recommendations to the relevant Committee.

3.4.8.1.6 the Committee may review the corporate governance, risk management and internal control issues in connection with the discharge of any Council functions. As well as reviewing documentation, in fulfilling the audit role, it may require any member or officer of the authority to attend before it to explain in relation to matters within their remit:

- (i) compliance or otherwise with council procedures
- (ii) compliance or otherwise with established corporate governance standards
- (iii) the degree to which risk has been considered and addressed and it is the duty of those persons to attend if so required.

and it is the duty of those persons to attend if so required.

3.4.8.1.7 the Committee shall be advised by the Head of Function (Resources) as the officer with responsibility for financial administration, and by the both the external and internal auditors. They may additionally, within an approved budget, seek independent advice from outside the authority.

3.4.8.1.8 the external/internal auditors of the Council shall have the right to request the Chair of the Audit Committee to consider any matter which the auditors believe should be brought to the attention of the Council.

3.4.8.1.9 exercise the powers and responsibility regarding governance and risk management:

- (i) to oversee and monitor the compliance and assurance requirements and to satisfy itself as to the adequacy of the structures, processes and responsibilities for identifying and managing key risks facing the organisation
- (ii) to ensure compliance with statutory requirements including Health and Safety
- (iii) to review the Council's Corporate Governance Framework including accountability agreements, Council Procedure Rules etc.
- (iv) to receive, review and approve risk assessments and the resultant action plans

- (v) to establish a methodology for assessing risks in all functions of the Council
- (vi) to receive and review reports from Officers on progress in implementing action plans resulting from risk assessment of the Council's activities and to agree any remedial work
- (vii) to develop and keep under review a Risk Management Strategy for the Council
- (viii) to establish a profile of risks across the Council and analyse priorities for action
- (ix) to develop and review the risk register and associated risk treatment plans and to make recommendations regarding the allocation of resources to address identified risks
- (x) to raise awareness of risk management within the Council and to ensure that training and education needs in respect of risk management are identified and addressed
- (xi) to ensure appropriate and effective communication reporting lines are in place in the context of Risk Management

3.4.8.1.10 to scrutinise Treasury Management matters as required by the Code of Practice on Treasury Management and the Council's Treasury Management policies.

3.4.8.2 Frequency

3.4.8.2.1 Minimum 3 meetings per year.

3.4.8.2.2 The committee must meet if the authority as a whole resolves that it should or if at least one-third of the members of the committee requisition a meeting in writing to the Chairman of the committee.

3.4.8.3 Membership

3.4.8.3.1 Eight members of the Council, to be politically balanced, plus two lay co-opted members to be appointed by the Committee.

3.4.8.3.2 Members of the Executive will not be eligible to be members of this Committee. The Portfolio Holder for Finance is required, as far as is possible, to attend each Audit Committee meeting.

3.4.8.3.3 The co-opted members, not being members of the Council, to be recruited for skills appropriate to the Audit Committee's work, and who shall be appointed by the Councillor members of the Audit Committee for a fixed term to be determined by them when the appointment is made.

3.4.8.3.4 All members of the committee shall have a vote.

3.4.8.3.5 The Audit Committee will appoint its Chairperson who will not be a member of any of the groups represented on the Executive except when all groups are represented on the Executive (and could be a co-opted member).

